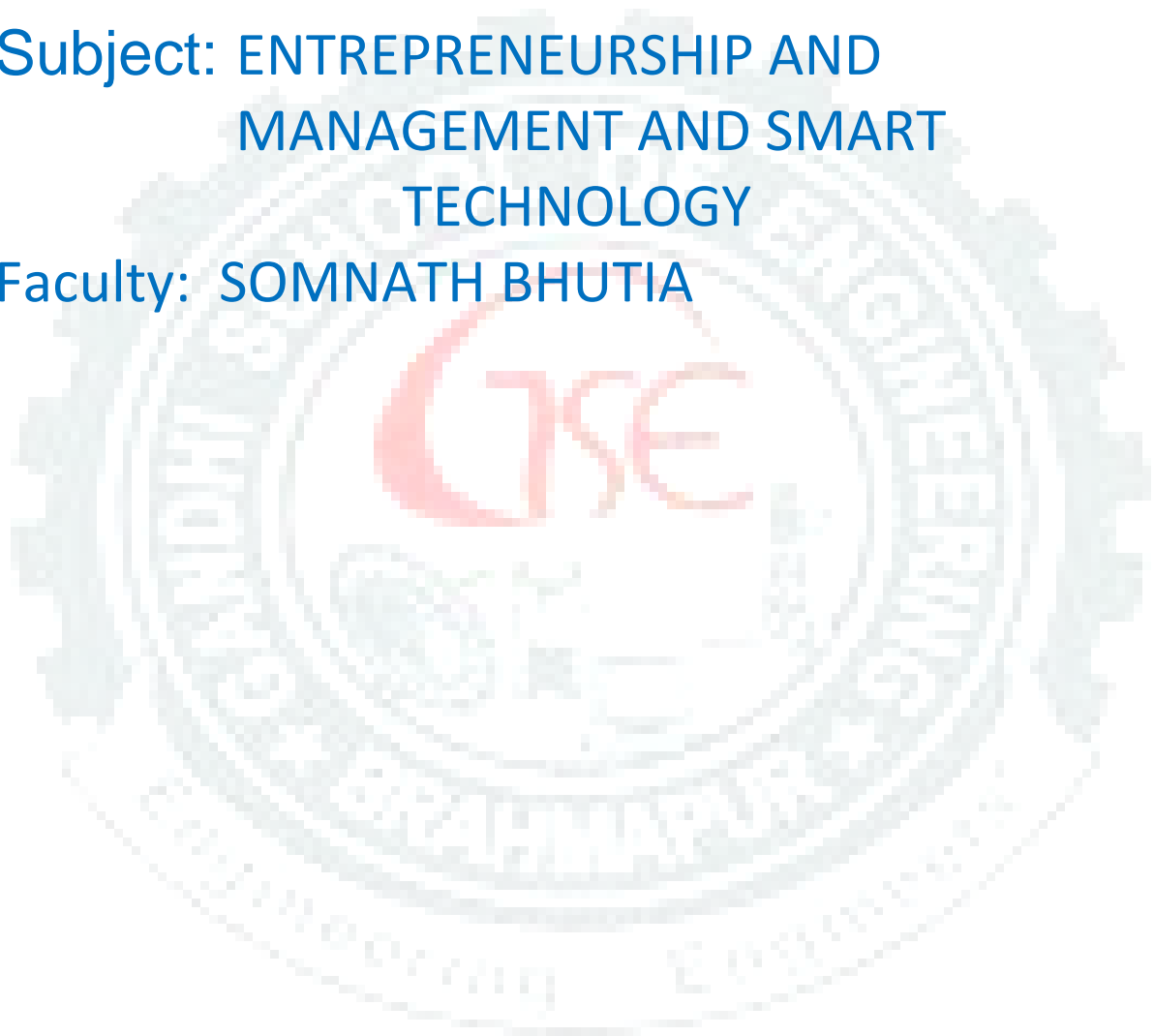


Branch: MECHANICAL ENGINEERING

Semester:5<sup>th</sup> Sem

Subject: ENTREPRENEURSHIP AND  
MANAGEMENT AND SMART  
TECHNOLOGY

Faculty: SOMNATH BHUTIA



## **1. Entrepreneurship**

- ☐ Concept /Meaning of Entrepreneurship
- ☐ Need of Entrepreneurship
- ☐ Characteristics, Qualities and Types of entrepreneur, Functions
- ☐ Barriers in entrepreneurship
- ☐ Entrepreneurs vrs. Manager
- ☐ Forms of Business Ownership: Sole proprietorship, partnership forms and others
- ☐ Types of Industries, Concept of Start-ups
- ☐ Entrepreneurial support agencies at National, State, District Level( Sources): DIC, NSIC,OSIC, SIDBI, NABARD, Commercial Banks, KVIC etc.
- ☐ Technology Business Incubators (TBI) and Science and Technology Entrepreneur Parks

## **2. Market Survey and Opportunity Identification (Business Planning)**

- ☐ Business Planning
- ☐ SSI, Ancillary Units, Tiny Units, Service sector Units
- ☐ Time schedule Plan, Agencies to be contacted for Project Implementation
- ☐ Assessment of Demand and supply and Potential areas of Growth
- ☐ Identifying Business Opportunity
- ☐ Final Product selection

## **3. Project report Preparation**

- ☐ Preliminary project report
- ☐ Detailed project report, Techno economic Feasibility
- ☐ Project Viability

## **4. Management Principles**

- ☐ Definitions of management
- ☐ Principles of management
- ☐ Functions of management (planning, organising, staffing, directing and controlling etc.)
- ☐ Level of Management in an Organisation

## **5. Functional Areas of Management**

- a) Production management
  - ☐ Functions, Activities
  - ☐ Productivity
  - ☐ Quality control
  - ☐ Production Planning and control
- b) Inventory Management
  - ☐ Need for Inventory management
  - ☐ Models/Techniques of Inventory management
- c) Financial Management
  - ☐ Functions of Financial management
  - ☐ Management of Working capital
  - ☐ Costing (only concept)

- ☐ Break even Analysis
- ☐ Brief idea about Accounting Terminologies: Book Keeping, Journal entry, Petty Cash book, P&L Accounts, Balance Sheets (only Concepts)
- d) Marketing Management
  - ☐ Concept of Marketing and Marketing Management
  - ☐ Marketing Techniques (only concepts)
  - ☐ Concept of 4P s (Price, Place, Product, Promotion)
- e) Human Resource Management
  - ☐ Functions of Personnel Management
  - ☐ Manpower Planning, Recruitment, Sources of manpower, Selection process, Method of Testing, Methods of Training & Development, Payment of Wages

## **6. Leadership and Motivation**

- a) Leadership
  - Definition and Need/Importance
  - ☐ Qualities and functions of a leader
  - ☐ Manager Vs Leader
  - ☐ Style of Leadership (Autocratic, Democratic, Participative)
- b) Motivation
  - ☐ Definition and characteristics
  - ☐ Importance of motivation
  - ☐ Factors affecting motivation
  - ☐ Theories of motivation (Maslow)
  - ☐ Methods of Improving Motivation
  - ☐ Importance of Communication in Business
  - ☐ Types and Barriers of Communication

## **7. Work Culture, TQM & Safety**

- ☐ Human relationship and Performance in Organization
- ☐ Relations with Peers, Superiors and Subordinates
- ☐ TQM concepts: Quality Policy, Quality Management, Quality system
- ☐ Accidents and Safety, Cause, preventive measures, General Safety Rules , Personal Protection Equipment(PPE)

## **8. Legislation**

- a) Intellectual Property Rights(IPR), Patents, Trademarks, Copyrights
- b) Features of Factories Act 1948 with Amendment (only salient points)
- c) Features of Payment of Wages Act 1936 (only salient points)

## **9. Smart Technology**

- ☐ Concept of IOT, How IOT works
- ☐ Components of IOT, Characteristics of IOT, Categories of IOT
- ☐ Applications of IOT- Smart Cities, Smart Transportation, Smart Home, Smart Healthcare, Smart Industry, Smart Agriculture, Smart Energy Management etc.

## **RECOMMENDED BOOKS**

1. Entrepreneurship Development and Management by R.K Singhal, Katson Books., New Delhi
2. Entrepreneurship Development and Management by U Saroj and V Mahendiratta, Abhishek Publications, Chandigarh
3. Entrepreneurship Development and Management by Vasant Desai, Himalaya Pub.House
4. Industrial Engineering and Management by O.P Khanna ,Dhanpat Rai and Sons

5. Industrial Engineering and Management by Banga and Sharma, Khanna Publications
6. Internet of Things by Jeeva Jose, Khanna Publications, New Delhi
7. Online Resource on Startups and other concepts
8. <https://www.fundable.com/learn/resources/guides/startup>

## **1<sup>ST</sup> CHAPTER**

### **Entrepreneurship**

The word 'entrepreneur' is derived from the French verb 'entreprendre', which means to undertake. This refers to those who 'undertake' the risk of new enterprises. An enterprise is created by an entrepreneur. The process of creation is called 'entrepreneurship'.

Entrepreneurship is a process of actions of entrepreneur who is a person always in search of something new and exploits such ideas into gainful opportunities by accepting the risk and uncertainty with the enterprise.

#### **Need of Entrepreneurship:**

##### **1. Development of managerial capabilities:**

The managerial capabilities are used by entrepreneurs in creating new technologies and products in place of older technologies and products, resulting in higher performance.

##### **2. Creation of Organisations:**

Entrepreneurship results into creating of organisations when entrepreneurs assemble and coordinate physical, human and financial resources, and direct them towards achievement of objectives through managerial skills.

##### **3. Improving standards of living:**

- (a) By creating productive organisations, " entrepreneurship, helps in making variety of goods and services available to the society which results into higher standards of living for the people
- (b) Possession of luxury cars, computers, mobile phones, rapid growth of shopping malls etc. are pointers to the rising living standards of people and all this is due to the efforts of entrepreneurs.

##### **4. Means of economic development:**

Entrepreneurship involves creation and use of innovative ideas, maximisation of output from given resources, development of managerial skill etc. and all these factors are so essential for the economic development of a country.

#### **Characteristics of an entrepreneur:**

Here are the 10 best characteristics of an entrepreneur that one must nurture.

##### **1) Creativity:**

Creativity gives birth to something new. Without creativity, there is no innovation possible. Entrepreneurs usually have the knack to pin down a lot of ideas and act on them. Not necessarily every idea might be a hit. But the experience obtained is gold.

## **2) Professionalism:**

Professionalism is a quality which all good entrepreneurs must possess. An entrepreneurs' mannerisms and behaviour with their employees and clients goes a long way in developing the culture of the organization.

## **3) Risk-taking:**

Entrepreneurs have a differentiated approach towards risks. Good entrepreneurs are always ready to invest their time and money. But, they always have a backup for every risk they take. Without knowing the consequences, a good entrepreneur wouldn't risk it all.

## **4) Passion:**

Passion acts, as a driving force, with which, you are motivated to strive for better. It also allows you the ability to put in those extra hours or efforts which may make a difference.

## **5) Planning:**

Planning basically sums up all the resources at hand and enables you to come up with a structure and a thought process for how to reach your goal. The next step involves how to make optimum use of these resources, to weave the cloth of Success.

## **6) Knowledge:**

A good entrepreneur always try to increase his knowledge which is why he is always a learner. Knowledge is the key to success. An entrepreneur should possess complete knowledge of his industry. He should also know that his strengths and weaknesses are so that they can be worked on and can result in a healthier organisation.

## **7) Social skills:**

Social skills involve relationship building, hiring and talent sourcing, team strategy formulation.

## **8) Empathy:**

Empathy is the understanding of what goes on in someone's mind. A good entrepreneur should know the strengths and weaknesses of every employee who works under him.

## **9) Customer satisfaction:**

A good entrepreneur will always know this; a business is all about the customer. How you grab the customer's attention is the first step. This can be done through various mediums such as marketing and advertising.

## **10) Self-motivation:**

One of the most important traits of entrepreneurs is self-motivation. When want you to succeed you need to be able to push yourself. You need to be dedicated to your plans and keep moving forward.

## **Qualities of an entrepreneur:**

1- Self-confidence

2. Competitive spirit
3. Ego involvement
4. Ego strength
5. Risk taking
6. Decision
7. Independent thinking
8. Desire for unique production.
9. Managerial skill
10. Organising ability
11. Intelligence
12. Emotional tolerance
13. Achievement orientation
14. Visualisation ability
15. Goal directed thinking
16. Conflict resolved
17. Imaginative thinking
18. Popularity
19. Reality oriented
20. Cooperative
21. Quality control capacity
22. High motivation

### **Types of Entrepreneurs:**

Entrepreneurs can be classified through various parameters. On the basis of economic development, there are 5 types of entrepreneurs.

- (1) Innovating entrepreneur
- (2) Imitative entrepreneur
- (3) Fabian entrepreneur
- (4) Drone entrepreneur
- (5) Social entrepreneur

#### **(1) Innovating entrepreneur:**

→ These entrepreneurs have the ability to think newer, better and more economical ideas of business organisation and management.

→ Inventions like the introduction of a small car "NANO" by Ratan Tata, making mobile phones available to the common man by Anil Ambani are the works of innovative entrepreneurs.

#### **(2) Imitative entrepreneur:**

→ These entrepreneurs imitate innovative entrepreneurs and follow the path shown by innovative entrepreneurs.

→ Development of small shopping complexes, manufacturing small cars are now imitative entrepreneurs.

#### **(3) Fabian entrepreneur:**

→ By nature these entrepreneurs are shy and lazy. These type of entrepreneurs are neither will to introduce new changes nor desire to adopt new methods of production innovated by most of the entrepreneurs.

→ They are not interested in taking risk.

#### **(4) Drone entrepreneurs:**

→ Drone entrepreneurs are those individuals who are satisfied with the existing mode and speed of business activity and show no inclination in gaining market leadership.

→ In other words, drone entrepreneurs are die hard conservatives and even ready to suffer the loss of business.

#### **(5) Social entrepreneurs:**

→ Social entrepreneurs drive social innovation and transformation in various fields including education, health, human rights, worker's rights, environment and enterprise development.

→ Dr. Yunus of Bangladesh who started Grameen Bank is a case of social entrepreneur.

### **Functions of an entrepreneur:**

Some of the important functions performed by an entrepreneur are as follows:

**1. To prepare plan:** Plan refers to scheme of production, scale of production, types of goods to be produced and its quantity.

**2. Selection of the site:** The selection of place may be near market, railway-station or near the source of raw materials.

**3. Provision of capital:** Capital is required to install a factory or an industry.

**4. Provision of Land:** Land has to be arranged either by purchasing or hiring.

**5. Provision of labour:** Different types of labour are required to produce one type of commodity.

**6. Purchase of machines and tools:** It is required to start and continue the production.

**7. Provision of raw materials:** Entrepreneur should purchase best quality of raw materials at minimum cost. He should also know the sources of raw materials.

**8. Coordination of the factors of production:** It is required to reduce the cost of production to minimum.

**9. Division of labour:** The splitting up of production into different parts and entrusting them to different workers is also a function of an entrepreneur.

**10. Quality of product:** Keeping in view the competition in the market, the entrepreneur has to determine the quality of his product.

**11. Sale of goods:** He employs a good number of salesmen to market the goods.

**12. Advertisement:** He has to do advertisement of quality of his goods through newspapers, magazines, radio, TV etc.



**13. Search for markets:** He should produce goods in accordance with customer's tastes and explore markets for his product.

**14. Supervision:** The main job of an entrepreneur is to supervise all the factors engaged production process.

**15. Contact with the government:** A license should be taken before the start of precaution. He has to abide by certain rules and regulations of production and has to pay taxes regularly.

**16. Payment to factors of productions:** He has to make payments to the landlord, labour, capitalist in the form of rent, wages and interest.

**17. Quantity of production:** He determines the quantity of production keeping in view the demand for goods and the extent of market.

**18. Risk-taking:** There are chances that he may be rewarded with a handsome profit or he may suffer a heavy loss. Therefore, risk-bearing is the final responsibility of an entrepreneur.

### **Barriers in entrepreneurship:**

#### **(1) Environmental Barriers:**

(a) **Raw material:** Non-availability of rose materials can increase its price due to competition.

(b) **Labour:** It includes shortage of skilled labour, lack of committed and loyal employees.

(c) **Machinery:** Machines are sometimes expensive, and becomes difficult for the small organisations to keep the production process updated.

(d) **Land and buildings:** It requires huge expenditure.

(e) **Infrastructure support:** It includes adequacy of electricity, proper road, water and drainage facilities etc.

(2) **Financial Constraints:** The availability of funds is a major concern. Delay in starting or running business results in a delay in the source of finance.

#### **(3) Personal barrier:**

(a) **Lack of confidence:** They feel that they will never get a successful idea and any necessary resources.

(b) **Lack of dependence on others:** Entrepreneurs go through trial and error and experience rather than seeking personal help from others.

(c) **Motivation:** Lack of motivation when thoughts do not work.

(d) **Lack of Patience:** They desire to achieve success or become rich immediately.

#### **4. Society barrier:**

(a) Socio-cultural norms and values

(b) Financial stability and family background



(c) Caste and religious affiliation

### **5. Political barrier:**

- (a) Governmental rules, taxation, licensing etc.
- (b) Lack of supportive governmental regulations.
- (c) Without funds a person cannot begin to organise, train, develop and sell product.

### **Entrepreneurs Vs Managers:**

SL NO	BASIS FOR COMPARISON	ENTREPRENEUR	MANAGER
1	MEANING	Entrepreneur refers to a person who creates an enterprise by taking financial risk in order to get profit.	Manager is an individual who takes the responsibility of controlling and administrating the organisation.
2	FOCUS	Business startup	Ongoing operation
3	PRIMARY MOTIVATION	Achievement	Power
4	APPROACH TO TASK	Informal	Formal
5	STATUS	Owner	Employee
6	REWARD	Profit	Salary
7	DECISION MAKING	Initiative	Calculative
8	RISK	Risk taker	Risk adverse

### **Forms of business ownership:**

The important business organisations

- (1) Sole-proprietorship,
- (2) Partnership,
- (3) Joint Hindu Family business,
- (4) Cooperative Society,
- (5) Joint stock company/Private limited company

#### **(1) Sole Proprietorship:**

→ When a business & started by a single person it is known as sole proprietorship or ownership or one-man business.

→ In this business, the proprietor uses his own resources, skill, knowledge and manages the business alone. He may take the help of employees in managing the work in a business.

→ All the profits earned by the business belong to the sole proprietor.

Ex: Book keeping, computer repair services, tutoring, virtual assistant etc.

#### **Features:**

→ Such a business is owned and controlled by a single individual.

→ The individual invests his own capital in this business.

→ The sole proprietor bears all the risk to which the business is exposed.

- If there is any profit or loss in business when it goes to or comes from sole-proprietors' pockets.
- It doesn't require license and permissions or clearance from any authorities. So, it is very easy to start such a business.
- Sole proprietor may take the help of his employees who may get salary.
- Sole-proprietor does not enjoy separate legal status.
- He may expand his business, close it, shift it to any other place with unlimited freedom of actions.

## **(2) Partnership:**

- According to section-4 of Indian parliament act 1932, partnership is defined as. "A relation between persons who have agreed to share the profits of a business, carried on by all or anyone acting for all. Persons entering to the agreement are individually called partners, and collectively in a firm and the name under which business is carried out is called firm name."
- Partnership is the result of an agreement between or business among persons to carry on some business.
- The partners pull their own resources to conduct the business
- They manage the business themselves and share the profits or losses as per agreement.

### **Features:**

- The minimum number of members in case of a partnership business is two and the maximum limit is twenty. However, in case of banking and financial business the maximum membership is restricted to 10 only. Such an agreement must be valid in the eye of law.
- It may be in writing or in oral words. Such an agreement in writing is known as partnership deed.
- The motive of all partners in the partnership must be to earn profit and share it.
- To be a partnership, there must be a business. If the partners agree to carry on something which is not a business, it will not be called as partnership.
- A partner in a partnership is an agent well as the principal and there exists a relationship among the partners which is a principal-agent relationship.
- A partnership firm has no separate legal existence. Apart from it, both the partners and the firm are considered as one unit in eye of law.
- Transfer of share in case of partnership is totally illegal.
- A partnership firm is the result of mutual understanding, faith and confidence among the partners.
- If the partners have agreed to carry on business for a limited period of time it is known as "partnership for a fixed term". If they have agreed to carry on the business for the completion of a particular job or project it is called particular partnership.
- Usually partnership firm comes to a close, in the event of death, retirement or insolvency of a partner.

## **(3) Joint Hindu family business:**

- A large number of business in India is carried on by different families and such a business is called Joint Hindu Family business.
- Joint Hindu family business operates under the Hindu Succession Act, 1956.

## **(4) Cooperative Society:**

- When a group of persons belonging to particular class or themselves and start a category or group associate. business for their mutual benefits, it may be called as Cooperative society.

→ The main aim of a cooperative society is not to earn profit but to render the best possible Services to its members.

**(5) Joint Stock Company:** It can be defined as an artificial person created by law, having a distinctive name with a common seat, a common capital with limited liabilities and with perpetual successions.

## **Industry:**

Industry refers to those economic activities, which are responsible for the production of goods and services.

Depending upon the nature, activities of industry, industry can be classified into 5 categories:

- (1) Manufacturing industry
- (2) Extractive industry
- (3) Genetic industry
- (4) Construction industry
- (5) Service industry

### **(1) Manufacturing industry:**

Here the production activities are carried on at a particular place with the use of men and machine.

There are the factories and mills where raw materials are introduced and finished products are found out.

Manufacturing industries are further classified into four categories:

- (a) Assembling industry
- (b) Processing industry
- (c) Analytical industry
- (d) Mixed type or synthetic type

**(a) Assembling industry:** This type of industries procures or purchase different components, parts, assembling, accessories and assemble them into useable products.

**Ex:** Bicycle industries, automobile industries, watch industries, TV industries etc.

**(b) Processing industry:** This type of industries purchases different raw materials and are put into the processes. Under the arrangement, some type of processing, modifying, grinding, polishing, shaping, heating etc. are done at different stages at different processes with the aid of plant, machinery and equipment.

**Ex:** Furniture making, textile industries, paper making, jute mills etc.

**(c) Analytical industry:** This type of industries introduces raw material at one point and several products come out at different processes by due segregation, separation, analysis etc.

**Ex:** Milk products like ghee, cheese, curd, butter, milk powder, condensed milk etc. come out of different processes.

**(d) Mixed type industry:** Under this type of industries different raw materials are combined at different processes or different stages and after further processing, finished products come out at the end of processes.

**Ex:** Food processing industries, Ayurvedic medicine preparation.

**(2) Extractive industry:**

This type of industries is engaged in the process of extraction of different minerals, collection of forest products, deep sea fishing, hunting etc.

**(3) Genetic industries:**

This type of industries is process of reproduction. **Ex:** poultry

**(4) Constructive industries:**

This type of industries is engaged in the construction of various infrastructure like road, dam, bridge, canal, flyover, tunnel, building, factories etc.

**(5) Service industries:**

This type of industries provides services of various types to the people to the industries and other organisation.

**Ex:** Service station, garage, cinema halls, internet, hospital etc.

**Concept of start-up:**

→ A start-up is a young company founded by one or more entrepreneurs to develop a unique product or service and bring it to the market.

→ Through a vast majority of start-ups fails, some of history's most successful entrepreneurs created start-ups like Microsoft (founded by Bill Gates), Ford motors (founded by Henry Ford), and Mc. Donald's (founded by Ray Kroc).

**Entrepreneurial support agencies:**(National, State and district level)

**1) DIC (District Industries Centre):**

→ It was established on 1st May 1978.

→ District Industries Centres by central program was initiated by central government to promote tiny, cottage, village and small scale industries (SSIs) in smaller towns and their particular areas to make them. available with all the basic needs, services and facilities.

→ DIC's primary focus is to generate employment in rural regions of India.

→ DIC perform various functions like arrangements for credit and machinery and equipment and raw materials, development. and expansion of industrial clusters, identification of suitable schemes, recognizing and financially supporting new entrepreneurs.

**2) NSIC (National Small Industries Corporation):**

→ National small industries corporation (NSIC) was established in the year 1955 in order to promote, aid and foster the growth of small business units in the country. The functions of NSIC are as follows:

(a) To create awareness about technological upgradation.

(b) To serve as technology business incubators.

(c) To provide mentoring and advisory services.

(d) To develop technology transfer centres and software technology parks.

(e) To obtain, supply and distribute indigenous and imported raw materials.

(f) To export the products of small business units in order to develop export worthiness.

### **3) OSIC (Odisha Small Industries Corporation):**

- The Odisha Small Industries corporation was established 3rd April 1972.
- The basic objective of the corporation is to aid, assist and promote the MSMEs in the state for their sustained growth and development to the industrialization process in the state.
- It provides quality raw material and building material to MSMEs of the state.
- It assists in marketing the products of the MSME sector.

### **4) SIDBI (Small Industries Development Bank of India):**

- Small industries and development Bank of India mainly focusses on the financing, promotion and development of the Micro, Small and Medium Enterprises (MSMEs). It was established on 1990.
- It offers financial support to MSMEs Small Scale Industries (SSIs) and other service sectors.
- It provides funding via banks and other financial institutions.
- It aims to create equilibrium in the financial sector by strengthening credit flows and promoting skill development.

### **5) NABARD (National Bank for Agricultural and Rural Development)**

- It was established in 1982.
- It is a development bank focussing primarily on the rural sector of the country. It is an apex banking institution to provide finance for agriculture and rural development.
- It is responsible for the development of the small industries, cottage industries and any other such village or rural projects.
- It prepares rural credit plans, annually, for all districts in the country.
- It also promotes research in rural banking, and the field of agriculture and rural development.

### **6) Commercial Banks:**

- A commercial bank is a financial institution which performs the functions of accepting deposits from the general public and giving loans for investing with the aim of evening profit.
- **Examples:**  
State Bank of India (SBI)  
Housing Development Finance Corporation (HDRC)  
Corporation Bank etc.

### **7) KVIC (Khadi and Village Industries Commision):**

- Khadi and Village Industries Commision plans, promotes, organizes and implements programs for the development of Khadi and other village industries in rural areas nationwide.
- It has also helped in creation of employment, in Khadi Industry.
- It was formed in April 1957 (as per RTI) by Government of India.
- It promotes the sale and marketing of Khadi and Village Industries products.

### **Technology Business Incubators (TBIs)**

- An organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services and networking connections, is called business incubator.

- Their goal is to help create and grow young businesses by providing them with necessary support and financial and technical services.
- There are approximately 900 business incubators nationwide, according to the National Business Incubation Association.
- Incubators provide numerous benefits to owners of start-up businesses, but they carefully screen potential businesses because their space, equipment and finances are limited.
- Incubators have specialised ideas or businesses so that growth rate is quicker or better.
- They provide administrative support, office equipment, potential investors and training.

### **Science and Technology Entrepreneur's Parks:**

- Science and Technology Entrepreneurs Park (STEP) programme was initiated to provide a re-orientation in the approach to innovation and entrepreneurship involving education, training, research, finance, management and the govt.
- The main objectives of steps are:
  - (a) To forge a close linkage between universities, academic and R&D institutions on one hand and industry on the other.
  - (b) To provide R&D support to the small-scale industry mostly through interaction with research institutions.
  - (c) To promote innovation based enterprises.



## **2<sup>ND</sup> CHAPTER**

### **MARKET SURVEY AND OPPURTUNITY IDENTIFICATION (BUSINESS PLANNING)**

A research method for defining the market parameters of a business is called market survey.

#### **Business Planning:**

→ The purpose of a business plan is to identify, describe and analyse a business opportunity of a business already underway, examining its technical, economic and financial feasibility.

→ Moreover, it should serve as a business card for introducing the business to others: banks, investors, institutions, public bodies or any other agent involved, when it comes time to seek cooperation or financial support of any kind.

→ No two business plans are same. But they all have the same elements. Below are some of the common and key parts of a business plan.

\* **Executive Summary:** This section outlines the company and includes the mission statement along with information about the company's leadership, employees, operations and location.

\* **Products and Services:** Here the company can outline the products and services it will offer, and may also include pricing, product lifespan, and benefits to the consumer.

\* **Market analysis:** A firm needs a good handle of the industry as well as its target market. It will outline who the competitor is and how it factors in the industry, along with its strengths and weaknesses.

\* **Marketing strategy:** This area describes how the company will attract and keep its customer base and how it intends to reach the consumer.

\* **Financial planning:** The company should plan its finance and future projections. Financial statements, balance sheets and other financial information may be included for already established businesses.

\* **Budget:** This includes costs related to staffing, development, manufacturing, marketing and any other expenses related to the business.

#### **Small Scale Industries (SSIs):**

→ The small scale industries are generally comprised of those industries which manufacture, produce and render services with the help of Small machines and less manpower.

→ The industries are the lifeline of the economy, especially in the developing countries like India.

→ These play an important role in generating employment. Its investment limit shouldn't exceed 1 crore.

→ Examples: Bakeries, School stationaries, water bottles, leather belt, small toys, beauty parlours etc.



## **Characteristics of SSIs:**

- **Ownership:** SSIs are generally under single ownership. So it can be either sole proprietorship or sometimes partnership.
- **Management:** Both management and control is with owners. Hence the owner is actively involved in day-to-day activities.
- **Labour intensive:** Its dependence on technology is limited and use of labour is more.
- **Flexibility:** In case of adapting new things or new environments they are flexible than large industries.
- **Limited reach:** They can meet their local and regional demand.
- **Resources utilisation:** They use local and readily available resources which helps the economy fully utilise natural resources with minimum wastage.

## **Ancillary units:**

- The term ancillary industry refers to that industry which supports the main industrial activity in a given region or city.
- They manufacture parts, components, sub-assemblies, tools, intermediates, machines etc.
- The supply of its products and services is more than 50% of its existing products and services.
- It increases productivity in small scale industry.

## **Tiny units:**

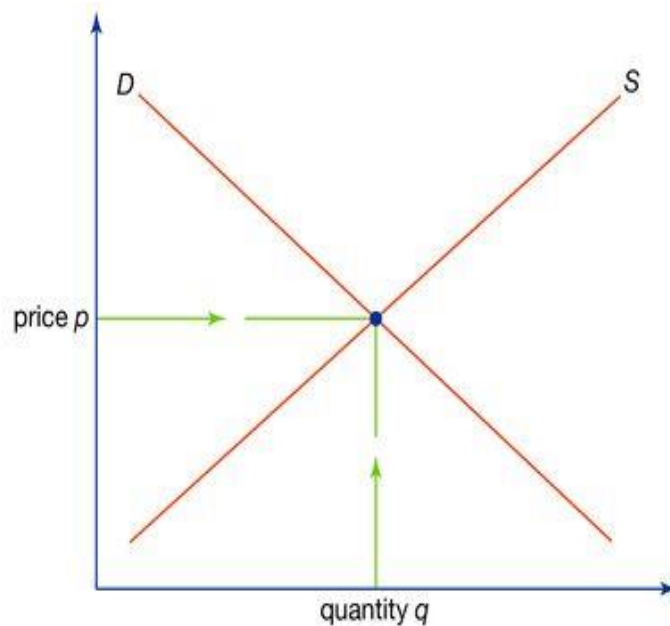
A tiny unit is defined as an industrial or business enterprise whose investment in plant and machinery is not more than Rs 25 lakhs.

## **Service Sector units:**

Activities in the service sector units include retail, banks, hotels, real estate, education, health, social work, computer services, recreation, media, communications, electricity, gas and water supply etc.

## **Demand and Supply:**

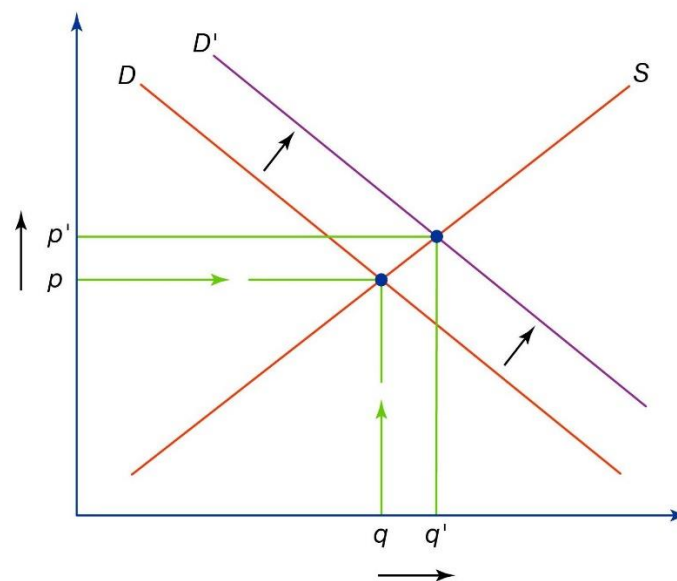
- Supply and demand, in economics is the relationship between the quantity of a commodity that producers wish to sell at various prices and the quantity that consumers wish to buy.
- It is the main model of price determination. The price of commodity is determined by the interaction of demand and supply in market.



### (Relationship of price to supply and demand)

→ **Demand curve**: The quantity of a Commodity demanded depends on the price of that commodity and potentially on many other factors such as, the prices of other commodities, the incomes and preference of the customers and seasonal effects.

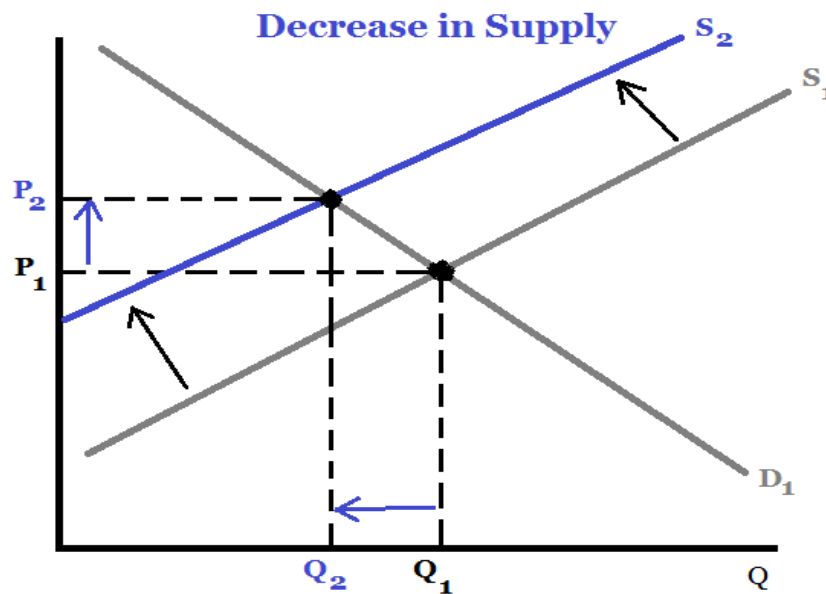
A demand curve is almost always downward-sloping, reflecting the willingness of consumers to purchase more of the commodity at lower price levels.



### (Increase in demand)

→ **Supply Curve**: The quantity of a commodity that is supplied in the market depends not only on the price obtainable for the commodity but also potentially on many other factors, such as price of substitute products, the production technology, and the availability and cost of labour and other factors of production.

A supply curve is upward-sloping, reflecting the willingness of producers to sell more of the commodity they produce in a market with higher prices.



(Decrease in supply)

### **Identifying business opportunities:**

→ Spotting market opportunities is essential for business growth and survival. These are typically external and include things like economic trends, market trends, shifting or expanding customer base, changes in govt. and industry regulations, changes in partnership or relationship with suppliers, competitors etc.

→ One of the best ways of identifying new business is SWOT analysis. SWOT analysis is one of most popular strategic analysis tools which focuses on four key factors like strengths, weaknesses, opportunities, threats facing your business.

→ Other ways to detect new business opportunities other than SWOT analysis are:

- **Segment your Consumers:** Divide your customer base into smaller groups that share common characteristics such as age, gender, location, lifestyle, attitude of purchasing habits. This allows you to analyse the demand for your products or services and target each segment.
- **Analyse your purchase situation:** Look at distribution channels, payment methods and other factors around purchasing to understand how your customers buy your products or services.
- **Analyse your competition:** Research existing businesses in the market to understand their value proposition and their competitive advantage. Establish your unique selling point to set yourself apart from your competitors.
- **Look at other markets:** Consider carefully what the market is like. To increase the likelihood of success, research the competitors, local habits. and the likely demand for your products or services.

### **Steps involved in final product selection:**

There are three basic stages/steps involved in product selection-

**(1) Idea generation:** Product ideas or investment opportunities come from different sources such as business/financial newspapers, research institutes, consulting firms, natural resources, universities, competitors etc.

(2) **Evaluation:** Each identified product and investment opportunity needs to be adequately evaluated.

(3) **Choice:** A choice is made of product which has been found to be commercially viable, technically feasible and economically desirable. At this stage, necessary machinery is set in motion.

### **3RD CHAPTER**

## **PROJECT REPORT PREPERATION**

### **Preliminary Project Report:**

→ A Preliminary Project Report is a brief summary of a project describing the expected inputs and outputs like finance, manpower, materials, machinery, technology, expenses, production, profits, sales etc. of a project before the project is actually implemented.

→ A PPR is a rough estimate of the project envisaged by the entrepreneur basing on which he will make a detailed project report and start working on the project.

→ The entrepreneurs have to submit copies of his PPR to various government agencies and banks and get provisional registration and approval with an assurance for licence, permission, loan etc.

→ A PPR highlights following data:

- (a) A clear description of problem or need of project.
- (b) A brief description of addressing the solution.
- (c) An analysis summary of work relevant to project.
- (d) Current state of project work, including activities completed and unfinished.
- (e) Analysis of project in criterias like cost-effectiveness, feasibility and manageability, performance, others.
- (f) A timeline with specific milestones and events related to project work.



Preliminary Project Report

1.	Name of the Project				
2.	Sectoral area				
3.	Total Financial Outlay				
4.	Details of the external development agencies (and the amount sought from each)				
5.	Financial arrangement				
	Total external assistance	Counterpart funds being made available by			Total
		Implementing agency	State Government	Central Government	Others, if any
		-	-	-	-
6.	Project duration (dates/months/years)				
7.	Location of project				
8.	Previous phases, if any				
9.	Statutory Clearances required				
10.	Statutory clearance obtained				
11.	Details of Feasibility Studies done, if any				
12.	Implementing Agency				
13.	Basic design of the project				
	- Goals and Objectives				
	- Activities involved				
	- Outputs of the project				
	- Outcome of the project				
	- Foreign Component and Technical Coop. component				
14.	Target population/groups				
15.	Details Action Plan (Year wise)				
	Year	Physical progress (%)		Financial Progress (Rs. in Crores)	
	2012-13	-		-	
	2013-14	-		-	
	2014-15	-		-	
	.				
	.				
16.	Quantitative and qualitative (verifiable) target indicators	-			
17.	Environmental sustainability of the project	-			
18.	Land acquisition/Resettlement and Rehabilitation involved	-			
19.	Linkages with Similar Projects				
(i)	Information regarding projects in similar undertaken previously (add evaluation reports, if any)				
(ii)	Does the project form part of the sectoral project? If yes, who are the other partners with details of the specific activities being undertaken by them.				

## **Detailed Project Report:**

→ Detailed Project Report (DPR) is nothing but a detailed elaboration of each and every information and estimates mentioned in the preliminary project report.

→ While preparation of a detailed project report, the entrepreneur may take the help of experts to do the job.

→ Preparations of DPR requires a lot of time. Detail analysis of each and every item is necessary.

→ For ex: Furniture is one item in the PPR but in the preparation of DPR all the furniture is to be mentioned in details like items, size, specification, use, price, quality, name of the supplier, date of supply, date of payment, transportation expenses etc.

→ A detailed project, generally contain the following information:

### **(a) Introduction to project and industry:**

Industry position in the world scenario, industry position in the country, value addition by the industry, profile of the industry in the country.

### **(b) Project Details:**

Promoters, registered office, location of the factory, line of activity, background of other directors, scheme of project, land and site development, building and civil works, plant and machinery, contingencies to plant and machinery, utilities, miscellaneous fixed assets, vehicles, quality control and testing equipment, erection and commissioning, deposits, working capital margin, schedule of implementation, management etc.

### **(c) Raw materials details:**

Requirement of raw materials, feasibility of import of raw materials, suppliers of raw materials, Annual requirement, transportation of raw materials, varieties and grades of raw materials, cost of raw materials.

### **(d) Utilities details:**

Power, steam, compressed air, fuel, water, chilled water, effluent and waste disposal etc.

### **(e) Technical details:**

Plant capacity, capacity utilization, manufacturing process, plant layout, product description & properties, packaging and its cost, plant & machinery detailers.

### **(f) Manpower details:**

Manpower requirement, organization chart, availability of manpower.

### **(g) Financial details:**

Cost of project, means of finance, estimates of production & sales, cost of production & profitability, projected balanced sheets, statement of debt service coverage ratio, statement of computation of working capital, statement of break-even analysis, working for financial projections.

### **(h) Marketing details:**

Present state of industry, consumer preferences, market requirements, distribution channels, market characteristics of the product, marketing and selling arrangement.

### **(i) Project evaluation:**

Socio-economic benefit, labour availability, impact on ecology, value addition, technology absorption etc.

## **Techno-economic feasibility:**

Techno-economic feasibility refers to the estimation of project demand potential and choice. of optimal technology.

Techno-economic feasibility is an analysis on the existing market and technology.

## **Project viability:**

A project is called viable if the economic benefits of the project exceed its economic costs, when analysed for society as a whole.



## **4TH CHAPTER**

### **Management Principles**

Management is an art of getting things done through other people.

Management is defined as the creation and maintenance of an internal environment in an enterprise, where individuals working together in groups can perform efficiently and effectively towards the attainment of group goals.

#### **Principles of Scientific management: (management)**

##### **\* Development of each one's job:**

- (a) This principle suggests that work assigned to any employee should be observed, analysed with respect to each and every element and part and time involved in it.
- (b) This can be done by the method of enquiry, investigation, data collection, analysis and framing of rules.

##### **\* Scientific selection, Training & development of workers:**

- (a) Workers should be selected and trained scientifically to make them fit for the job.
- (b) Physical, mental and other requirement should be specified for each and every job.

##### **\* Cooperation between management and workers:**

- (a) There should be no conflict between managers & workers.
- (b) The employees should be fully harmonized so as to secure mutually understanding relation between them.

##### **\* Division of responsibility:**

The management should assume the responsibility of planning the work whereas workers should be concerned with execution of task.

#### **Functions of management:**

The most widely accepted functions of management are:

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

##### **(1) Planning:**

- Planning is a systematic thinking about ways and means for accomplished of pre-determined goals.
- Planning is necessary to ensure proper utilisation of human and non-human resources.
- It is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks & wastages.

## **(2) Organising:**

→ It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organisational goals.

→ To organise a business involves determining and providing human and non-human resources to the organisational structure.

→ Organizing as a process involves:

- (1) Identification of activities.
- (2) classification of grouping of activities.
- (3) Assignment of duties.
- (4) Delegation of authority and creation of responsibility.
- (5) Coordinating authority and responsibility relationships.

## **(3) Staffing:**

→ It is the function of manning the organisation structure and keeping it manned.

→ Staffing has assumed greater importance in the recent years due to advancement of technology, increase in the size of business, complexity of human behaviour.

→ The main purpose of staffing is to put right man on right job.

→ Staffing involves:

- (a) Manpower planning (estimating manpower in terms of searching, choose the person and giving the right place)
- (b) Recruitment, selection & placement
- (c) Training & development
- (d) Remuneration.
- (e) Performance appraisal
- (f) Promotions & transfer

## **(4) Directing:**

→ Direction is that inter-personal aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals.

→ Direction has the following elements:

- (a) **Supervision:** It implies overseeing the work of subordinates by their superiors.
- (b) **Motivation:** It means inspiring, stimulating, encouraging the sub-ordinates with zeal to work.
- (c) **Leadership:** It may be defined as a process by which manager guides and influences the work of sub-ordinates in desired direction.
- (d) **Communication:** It is process passing information, experience, opinion etc. from one person to another.

## **(5) Controlling:**

→ It is the measurement and correction of performance activities of sub-ordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished.

→ It has following steps:

- (a) Establishment of standard performance.
- (b) Measurement of actual performance.
- (c) Comparison of actual performance with the standards and finding out deviations if any.
- (d) Corrective action.

## **Levels of management:**

Most organizations have three management levels:

- (1) Top-level management
- (2) Middle-level management
- (3) Low-level management.

### **(1) Top-level management:**

- The board of directors, president, vice-president and CEO all are the examples of top-level managers.
- These managers are responsible for controlling and overseeing the entire organisation. They develop goals, strategic plans, company policies and make decisions on the direction of the business.
- In addition, top-level managers play a significant role in the mobilization of outside resources.
- Top-level managers are accountable to the shareholders and general public.

### **(2) Middle-level management:**

- General managers, branch managers, and department managers are all examples of middle-level managers.
- Middle level managers devote more time to organizational and directional functions than top-level managers.
- Their roles can be emphasized as:
  - (a) Executing organizational plans in conformance with the company's policies and the objectives of top management.
  - (b) Defining and discussing information and policies from top management to lower management.
  - (c) Inspiring and providing guidance to low-level managers towards better performance.

### **(3) Low-level management:**

- Supervisors, section heads and foremen are examples of low-level management titles. These managers focus on controlling and directing.
- Low-level managers usually have the responsibility of:
  - (a) Assigning employees tasks.
  - (b) Guiding and supervising employees on day to day activities.
  - (c) Ensuring the quality and quantity of production.
  - (d) Up-channelling employee problems.
  - (e) Making recommendations and suggestions.

## **5th Chapter**

### **Functional areas of management**

#### **(A) Production management**

##### **Functions of production management:**

The functions of production management are

- (a) planning
- (b) Routing
- (c) Scheduling
- (d) Loading
- (e) Dispatching
- (f) Follow up
- (g) Inspection

##### **(a) Planning:**

→ At this stage the management decides the products to be produced. It will also decide the ingredients, raw materials, size, colour, shape, quality, specification, quantity of production, cost of production etc.

##### **(b) Routing:**

→ The main aim of routing is to find out the best and cheapest way of production and decide the best route which will be economical, efficient and less time consuming.

→ Routing also includes the selection of men, machines and processes to carry out the work in the desired manner.

##### **(c) Scheduling:**

→ Scheduling involves fixation of time and date for starting and completion of each operation and the entire operations. It also includes the determination of total time required for completion of each operation.

##### **(d) Loading:**

→ It is essential to maintain records of the loads assigned. These should neither be over-load or under-load of works to anyone.

##### **(e) Dispatching:**

It includes:

→ Issue of necessary materials, tools, equipment and accessories to individuals, jobs, process, department or sections.

→ Issuing necessary orders for inspections at various stage and to the person to carry on production.

##### **(f) Follow up:**

It involves the following process:

→ See that the raw materials, equipment etc. reach the shops in time as per schedule.

→ Check the progress of the works and ensure that they are and schedules being done as per plans, routes and schedules.

**(g) Inspection:**

→ Inspection is the last stage of production planning and control. It involves checking the quality of goods produced and ensure that they confirm to the standard.

→ Inspection includes the appointment of inspectors at various points where the chances of deviation are high.

**Productivity:**

Productivity is the increase of output from each unit in the production process. The ways of achieving productivity includes the training of workers and the introduction of machinery and equipment into the production process.

**Production planning & control:**

It may be defined as," Coordination of a series of functions according to a plan, which will regulate the orderly movement of goods through the entire manufacturing cycle from the procurement of all the materials to the shipping of finished goods at a pre-determined rate."

**Quality Control:**

Quality Control is a process through which business seeks to ensure that production quality is maintained or improved.

## **(B) Inventory Management**

### **Need for inventory management:**

- (1) It protects a company from fluctuations in demand, of its products.
- (2) It tries to protect fluctuations in output, from risks and uncertainty.
- (3) It enables a company to provide better services to its customers.
- (4) It keeps a smooth flow of raw-materials and aids in continuing production operations.
- (5) It helps to minimize administrative workload, manpower requirement and even labour cost.
- (6) It checks and maintains the right stock and reduces the risk of loss.
- (7) It makes effective use of working capital by avoiding over-stocking.
- (8) It helps to maintain a check on loss of materials due to carelessness or pilferage (stealing).
- (9) It facilitates cost accounting activities.
- (10) It avoids duplication in ordering of stock.

### **Techniques of inventory management:**

#### → **Just-In-Time (JIT):**

Just-in-time (JIT) is an inventory strategy companies employ to increase efficiency and decrease waste by receiving goods only as they are needed in the production process, thereby reducing inventory costs.

This method requires producers to forecast demand accurately.

#### → **ABC Analysis:**

It stands for "Always Better Control". It is based upon Pareto principle which states that 80% of the overall consumption value is based on only 20% of total items.

ABC analysis is a dividing on-hand popular technique for inventory into three categories: A, B and C, based on annual consumption unit, inventory value and cost significance.

**A:** Items of high value (70%) and small in number (10%)

**B:** Items of moderate value (20%) and moderate in number (20%)

**C:** Items of small value (10%) and large in number (70%)

#### → **Drop shipping:**

Drop shipping provides goods by direct delivery from the manufacturer to the retailer or customers. Here the retailer does not keep goods in stock, but instead transfers customers' orders and shipment details to either the manufacturer, another retailer or a wholesaler who then ships the goods directly to the customer.

#### → **Cross-docking:**

It is a distribution method in which the goods flow in an unbroken sequence from receiving to shipping (dispatching) thus eliminating storage. It is also called as flow through distribution.

It helps to achieve a competitive advantage, speed and productivity of a supply chain.

#### → **Bulk-shipping:**

It refers to the activity of moving goods or commodities which are not packaged, in large quantities from one place to another is called bulk shipping.

**Ex:** Examples of commodities that can be shipped in bulk are ores, coal, scrap, iron, vegetable oil etc.

## **(C) Financial Management**

### **Functions of financial management:**

There are four functions of finance.

- (1) Investment decision
- (2) Financial decision
- (3) Dividend decision
- (4) Liquidity decision.

#### **(1) Investment decision:**

→ One of the most important finance functions is to intelligently allocate capital to long term assets. This activity is also known as capital budgeting. It is important to allocate capital in those long-term assets so as to get maximum yield in future.

→ Since the future is uncertain and there may be many risk involved, so there are many possibilities to be considered while calculating expected return.

#### **(2) Financial decision:**

→ It is important to make wise decisions about when, where and how should a business acquire funds. Funds can be acquired through many ways and channels.

→ A firm tends to benefit most when the market value of a company's share maximizes. It also maximizes the shareholder's wealth.

→ On the other hand, the use of debt affects the risk and return of a shareholder. It is riskier though it may increase the return on equity funds.

#### **(3) Dividend decision:**

→ Earning profit is a common aim of all business, but the key function of a financial manager performs in case of profitability is to decide whether to distribute all the profits to the shareholders or distribute part of the profits to the shareholders and other part to the business.

→ It's the financial manager's responsibility to decide an optimum dividend policy which maximizes the market value of the firm.

#### **(4) Liquidity decision:**

→ It is very important to maintain a liquidity position of a firm to avoid insolvency. Firm's profitability, liquidity and risk all are associated with the investment in current assets.

→ In order to maintain a trade-off between profitability and liquidity, it is important to invest sufficient funds in current assets. But since current assets don't earn anything for business, therefore a proper calculation must be done before investing in current assets.

### **Working Capital:**

→ Working capital, also known as net working capital, is the difference between a company's current assets, such as cash, accounts receivable and inventories of raw materials and finished goods, and its current liabilities, such as accounts payable.

### **Management of Working capital:**

→ **Cash:** Cash is one of the most liquid and important components of working capital. It is needed for performing all the activities of a firm, i.e., from acquisition of raw materials to marketing of finished goods.



→ **Inventory management:** It represents a complete list of items, such as property, goods in stock or the contents of a building etc. Efficient management of inventory results in maximisation of earning of the shareholders.

→ **Accounts receivable management:** It represents Sundry debtors of a firm. The term receivable is defined as any claim for money owed to the firm from customers arising from sale of goods or services in normal course of business.

→ **Accounts payable management:** It represents sundry creditors of a firm. It leads to steady supply of materials to a firm as well as enhances its reputation.

### **Costing:**

Costing is any system for assigning costs to an element of a business.

It is the system of computing cost of production or of running a business, by allocating expenditure to various stages of production or to different operations of a firm.

### **Break-even analysis:**

→ Break-even analysis looks at the level of fixed costs relative to the profit earned by each additional unit produced and sold. In general, a company with lower fixed costs will have a lower break-even point of sale.

→ Break-even point is calculated by dividing the total fixed cost of production by the price of a product per individual unit less the variable costs of production.

### **Book Keeping: (Double-entry).**

→ Whatever may be the reasons, every business has to maintain records of its financial transactions in a systematic manner. Book keeping is the maintenance of the accounts in a systematic manner.

→ Book means record and keeping means maintaining. So book keeping means record maintaining.

→ Almost all the business organisation now-a-days maintain accounts under double-entry system of book keeping. Under this system, each and every business transaction is recorded twice.

→ Under this system, a business usually maintains a number of accounts such as cash A/C, Salary A/C, Rent A/C, Interest A/C, Raw materials A/C, finished goods A/C, Machineries A/C, Bank A/C etc.

### **Accounts:**

→ To facilitate the maintenance of accounts under double entry system of book keeping, all the accounts have two sides each.

→ The left side of an account is known as the debit side shortly known as Dr Side and the right side of the account is known as the credit side, shortly known as Cr side.

### **Types of Accounts:**

It is of 3 types:

(1) **Real account:** It refers to all the real things which are visible and tangible, such as cash, machineries, buildings, furniture, materials, finished goods, tool and equipment etc.

(2) **Personal account:** It refers to all the accounts of different individuals or persons as well as artificial persons, like companies, banks, corporate bodies, like, LIC, SBI etc. with whom

the business has credit transactions; both credit sale and credit purchases including loans and borrowings.

**(3) Nominal account:** It refers to all the accounts related to different incomes and expenses, losses and gains. These items are not visible and tangible like rent, interest, salary, commission etc.

### **Rules of Debit and Credit:**

- (1) Real account- Debit what comes in & credit what goes out.
- (2) Personal account- Debit the receiver & credit the giver.
- (3) Nominal account- Debit all expenses and losses & credit all incomes and gains.

### **Journal:**

→ All the transactions are recorded in the journal and for that all the entries made in the journal are known as journal entry.

→ All the journal entries have to be made as per the rules of debit and credit.

→ So journal is a book of primary entry, where all the transactions are recorded according to the rules of debit and credit.

#### **Example:**

→ Rent paid Rs.500/-. Here, in this transaction the two accounts involved are the rent A/C and cash A/C.

→ (a) Rent is a nominal account and all the expenses here is to be debited. So it would be written on the debit side.

(b) Cash is a real account and it is going out. So it would be also written on the credit side of the cash Alc.

→ So the journal entry shall be:

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

To Cash A/c.....Rs.500/-

(Being rent paid Rs 500/- to Mr. X)

### **Specimen of a journal**

DATE	PARTICULARS	L.F.	DEBIT AMOUNT (Rs)	CREDIT AMOUNT (Rs)
1/09/17	Cash A/c	01	10,000/-	
	To Goods A/c	24		10,000/-
	(Being goods sold for cash)			
2/09/17	Rent A/c	20	5,000/-	
	To Bank A/c	02		5,000/-
	(Being rent paid by cheque)			

### **Petty Cash book:**

→ Usually, petty cash records are maintained in a register called the petty cash book. The person maintaining the petty cash transactions and the petty cash book is known as petty cashier.

→ In a business there may be a small transaction as well as a big transaction so far value is

concerned. That means, there may be a transaction of Rs.1,00,00,000 at the same time there may another transaction of Rs.1.50p.

→ So to avoid the inconvenience, it is better to separate small transactions from big transactions. So petty cash book is in addition to the main cash book which records all small transactions less than Rs.100.

### **Profit & Loss account:**

→ The gross profits or the gross loss of the trading account of the manufacturing account is transferred to the profit and loss A/c.

→ Like the Trading A/C, Profit and Loss A/c has two sides, the left side is the debit side and the right side is the credit side.

→ The gross profit and the gross loss of the Trading A/c is transferred to the profits and loss A/c.

→ (a) If there is a gross profit, it is written in the credit side of the profits and loss A/c.

(b) On the other hand, if there is a gross loss, it is written on the debit side of the Profits and loss A/c.

### **Balance Sheet:**

→ Balance sheet is prepared from the information provided by the Trial Balance and the Profits and Loss A/c.

→ Balance sheet is a statement and not an account and is prepared for a day and can also be prepared quarterly or half-yearly.

→ It has two sides, the left side is the liabilities side and the right side is the assets side.

→ All the assets are classified into 3 categories: current assets, fixed assets and fictitious assets.

(a) Current assets includes: cash in hand, cash at bank etc.

(b) Fixed assets includes: land, buildings, plant, machinery etc.

(c) Fictitious assets includes: preliminary expenses, extraordinary losses etc.

→ The items recorded on the capital, reserves and surplus, long term loans, short term loans etc.

## **(D) Marketing Management**

Market may be described as a designated or specified place or area where business activities such as buying and selling are carried on.

Marketing management facilitates the directions of activities and functions which are involved in the distribution of goods and services.

### **Marketing techniques:**

The selection of an appropriate marketing technique depends upon the type of product, policy of an organisation, number of customers, location of customers etc.

An organisation select may any one of the following technique for selling its products.

#### **(a) For small business organisations:**

The marketing techniques used are:

1. Flyers (brief description about business sent via mailboxes)
2. Posters (near shopping malls, public places)
3. Value Additions (coupons, free appraisals)
4. Referral Networks (discounts, rewards)
5. Follow-ups (taking Sources of feedback)
6. Cold calls (through phone or door to door)
7. The Internet (through social media)
8. Bottom Line (Give presentations)

#### **(b) Business to Business (B2B) marketing techniques:**

Some of the B2B marketing techniques are

- (1) **Content marketing:** This emphasizes education over selling to influence buying behaviour. The strategic marketing approach focuses on creating and distributing information relevant to prospects' needs in order to attract the product or service.
- (2) **Inbound marketing:** It is most effective B2B strategy, because it works for businesses of any size or type. It shows strengths to attract, engage customers.
- (3) **Social media marketing:** It focusses on providing users with content they find valuable and want to share across their social networks, resulting in increased visibility and traffic.
- (4) **Search engine optimization:** It automatically increases your customers in a relevant, targeted way. It is the process of increasing awareness about a particular website.
- (5) **Industry events:** In these events, one can demonstrate latest products and services. It is rarely open to the public.

#### **(c) Business to Customer (B2C) marketing techniques:**

Some of the B2C marketing techniques are

- (1) **Social networks and viral marketing:** It focusses on providing users with content they find valuable and want to share across their social networks, resulting in increased visibility and traffic.
- (2) **Paid media advertising:** Paid media is a tool that companies use to grow their website traffic through paid advertising.
- (3) **Internet marketing:** It combines web and email to advertise and drive e-commerce sales.
- (4) **Email marketing:** It is highly effective way to nurture and convert leads. It targets specific prospects and customers with the goal of influencing their purchasing decisions.

- (5) **Direct selling:** It suggests marketing and selling products directly to the customers.
- (6) **Pont-to-purchase marketing(POP):** It sells to a captive audience, those shopkeepers already in-store and ready to purchase.

#### **4 p's of marketing:**

These are the key factors of marketing of goods or service. They are product, price, place, promotion.

- (1) **Product:** Product refers to a good or service that a company offers to customers. To be successful, marketers need to understand the life cycle of a product.
- (2) **Price:** Price is the cost customers pay for a product. Price can be modified as per the demand and seasonal effect to maximize the business.
- (3) **Place:** When a company makes decisions regarding place, they are trying to determine where they should sell a product and how to deliver the product to the market.
- (4) **Promotions:** Promotion includes advertising, public relations and promotional strategy. The goal of promoting is to reveal to customers why they need it and why they should pay a certain price for it.

## **(E) Human Resource Management**

### **Functions of personnel management:**

There are two categories of functions performed by personnel department.

1. Managerial Function.
2. Operative Function.

#### **1. Managerial functions:**

The following are the managerial functions (planning, organising, directing and controlling) performed by a personnel department.

##### **(a) Planning:**

- Planning lays down a predetermined course to do something such as what to do, how to do, where to do, who to do etc.
- Through planning, most of the future problems can be anticipated.

##### **(b) Organising:**

- It is a process by which a co-operative group of human being allocates its tasks among its members, identifies relationships and integrates its activities towards common objectives.
- The personnel manager has to design the structure of relationships among jobs, personnel and physical factors so that the objectives of the enterprise are achieved.

##### **(c) Directing:**

- This function relates to guidance and stimulation of the subordinates at all levels.
- The personnel manager directs and motivates the employees of his department so that they work willingly and effectively for the achievement of organisational goals.

##### **(d) Controlling:**

- It refers to continuous monitoring of the personnel policies relating to training, labour turnover, wage payments, interviewing new and separated employees etc.
- If deviations are unavoidable, corrective actions can be planned in advance.

#### **2. Operative Function:**

These functions are relating to the procuring, developing, compensating, integrating and maintaining a work-force for attaining organizational goals.

##### **(a) Procurement:**

- This function relates to the procuring of sufficient and appropriate number of persons for carrying out business work.
- Besides number, the procurement of suitable persons is also essential.

##### **(b) Development:**

- The development function is concerned with the development of employees by increasing their skill and proficiency in work.
- Training programmes are made suitable to cover up deficiencies in worker's performance.

##### **(c) Compensation:**

- It is concerned with securing adequate and equitable remuneration to persons working in the organisation.
- Compensation should be fixed in such a way that it is able to attract and retain suitable persons in the organisation.

**(d) Integration:**

- Integration is concerned with the attempt to effect reconciliation of individual, organisation and social interest.
- There should be proper communication channel at all levels.

**(e) Maintenance:**

- This function deals with sustaining and improving conditions that have been established.
- These conditions include establishment of health, Sanitation and safety standards.

**Manpower planning:**

- Manpower planning in the process of estimating the optimum number of people required for completing project, task or a goal within time.
- Manpower planning includes parameters like number of personnel, different types of skills, time period etc.
- It is also called as human resource planning.

**Recruitment:**

- Recruitment is a process of searching for prospective employees and stimulating them for applying job in the organisation and choosing recruiting better persons out of them.

**Sources of manpower or recruitment:**

The sources of manpower may be broadly divided into two categories:

- (a) Internal Sources
- (b) External sources

**(a) Internal Sources:**

Internal sources include:

- (1) Transfer
- (2) Promotion
- (3) Own training centres

**(1) Transfer:**

- Under this system, recruitment is made by transferring employees from one job or another.
- Transfer usually doesn't involve any extra financial benefits to an employee. The post or job is usually similar.

**(2) Promotions:**

- Under this system, positions or posts are filled up by individuals from lower grade to higher grade by offering them promotions of higher posts within the organisation.

**(3) Own training centres:**

- Under this system, fresh students are selected and are given training in various skills in their own training centres.

**(b) External sources:**

External sources include:

- (1) Advertisement
- (2) Campus interview
- (3) walk-in interview
- (4) Employment fair or job mela



- (5) Consultancy organizations
- (6) Employment exchanges
- (7) Direct recruitment
- (8) Unsolicited applications
- (9) Recommendations
- (10) Labour contractors
- (11) Placement cell/ employment beureau
- (12) Other similar organisations.

## **Selection Process:**

→ Selection is a process which is used as the identification of the tool for procuring human resources based on skill, knowledge, qualification, experience, abilities, talent etc.

## **Method of testing:**

The methods of tasting include:

### **(1) Inviting applications:**

→ The first step in the selection process is to invite applications from the eligible candidates depending on the post and the information required.

### **(2) Screening the applications:**

→ At this stage, the unsuitable or unfavourable applications may be rejected to make the selection process easy and effective.

### **(3) Conducting tests and interviews:**

→ It may include written examination, interview, group-discussion etc. to test the skill, intelligence, knowledge, aptitude, personality etc.

→ Such tests may be designed depending on the type of person required for specific post.

### **(4) Conducting physical and medical tests:**

→ The physical test may include running, swimming, jumping, diving, cycling etc.

→ The medical tests may include eye tests, ears, heart, kidney etc. to ensure that there is no organic disease or invalidity in the candidate.

### **(5) Collecting references and checking the antecedents:**

→ There is a need of collection of information of a candidate from the list of references.

→ There is also a need of checking the past records of the applicant including the report of the local police station where he had been staying in the past.

### **(6) Verifying the certificates:**

→ After all the above processes are over, the applicant may be called once again with his original certificates for the purpose of verification to see that the certificates furnished are authentic.

### **(7) Issuing of selection letter after final selection:**

→ All the successful candidates are to be ranked in order of their merit and final selection may be made depending on the number of posts lying vacant.

## **Methods of training and development:**

Training given to the employees can be classified into 2 categories:

- (1) On-the-job training
- (2) off-the-job training

### **(1) On-the-job-training:**

#### **(a) Under-studies:**

- This process will enable the trainee to develop himself as a capable person to handle the jobs independently.
- Under this method, the trainee is placed under an experienced person as an assistant who is to acquire skill, knowledge, experience.

#### **(b) Coaching by experts on the jobs:**

- Under this method the trainees are taken to the spots where the works are being performed.

#### **(c) Job rotation:**

- Under this system, the trainees get the opportunities of learning different jobs during their employment.
- The trainers are periodically rotated from one job to another which is known as job rotation.

### **(2) Off-the-job training:**

#### **(a) Classroom training:**

- Under this type of training, lectures or instructors act as trainers, teach the topics and give adequate technical and the theoretical knowledge about the activities to be performed.
- For such training, there may be use of models, slides, overhead projectors, video, audio, films, computers etc. to train the employees.

#### **(b) Conferences:**

- Under this method a small group of trainees are selected and work together to train themselves. They make open discussion, exchange ideas and experience, share the knowledge.

#### **(c) Written Instruction Method:**

- Under this method, written or printed training materials are supplied to the trainees. The trainees go through the texts and learn the techniques, process, skill etc. for performing jobs.

#### **(d) Institutional training:**

- There are some specific organisations who have the permanent infrastructure, up to date trainers for the purpose of training.
- So trainers have to go those specific centres for training. It is difficult, costly as well as ineffective.

**Ex:** Training pilots for aeroplanes etc.

#### **(e) On-line training:**

- Under this method, one can acquire knowledge, skill, talent etc. or train himself with the use of computer and internet facilities staying at his home.

**Payment of wages:** The organisation and its financial manager is responsible for payment of wages to each worker employed by him as an employee and payment shall be paid before the expiry of such period as may be prescribed.