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## Internal Assessment Test 3 – November 2019

Sub:	Management and Entrepreneurship for IT Industry	Sub Code:	17CS51	Branch:	CSE		
Date:	16-11-2019	Duration:	90 min's	Max Marks:	50		
		Sem/Sec:	V- A, B & C		OBE		
<u>Answer any FIVE FULL Questions</u>					MARKS	CO	RBT
1 (a)	Define project and explain the classifications of projects.				[5]	CO1	L2
(b)	Discuss contents of the project report.				[5]	CO2	L2
2 (a)	Give a brief outline of ERP and its functional areas.				[5]	CO2	L4
(b)	Discuss the importance of ERP in organization.				[5]	CO2	L2
3 (a)	Identify the various feasibility studies of starting a new enterprise.				[5]	CO1	L1
(b)	List out the criteria for selecting a project.				[5]	CO1	L1
4 (a)	Identify the various characteristics of small enterprises.				[5]	CO1	L1
(b)	Explain the role of TECSOK in promotion of small enterprise in Karnataka.				[5]	CO3	L2
5 (a)	Discuss the important activities in establishing small enterprise with the help of KSSIDC.				[5]	CO3	L2
(b)	Give an outline of i) NSIC and ii) DIC				[5]	CO3	L4

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<u>Answer any FIVE FULL Questions</u>					MARKS	CO	RBT
6 (a)	Explain the role of KSFC and KIADB				[5]	CO3	L2
(b)	Discuss various steps in starting a SSI.				[5]	CO1	L2
7 (a)	Explain Government of India industrial policy 2007 on micro and small enterprises.				[5]	CO1	L2
(b)	Give a brief outline of IPR.				[5]	CO3	L2

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**Answer Key/Solutions**  
**INTERNAL ASSESSMENT TEST- 3**

Question #	Description	Distribution		Marks
1	<p>a) <b>Define project and explain the classifications of projects.</b></p> <p><b>CONCEPT OF PROJECT</b></p> <p>The term “project” connotes programme of action. Project is always interwoven with all socio- economic and cultural activities the project involves a scheme and a speculative imagination.</p> <p>The kinds of projects</p> <p>1. Agricultural projects- relating to</p> <ul style="list-style-type: none"> <li>• Land development</li> <li>• Irrigation</li> <li>• Soil- conservation</li> <li>• Fertilizers, and</li> <li>• Seeds etc.</li> </ul> <p>2. Research projects</p> <p>Definition of “Project”- According to World Bank, project can be defined as “An approval for a capital investment to develop facilities to provide goods and services”.</p> <p>Little and Mireless defines project as “A scheme or a part of scheme for investing resources which can be reasonably analyzed and evaluated as an independent unit”. “It is an appraisal for investment with the definite aim of producing a flow of output over a specific period of time”.</p> <p>Gittinger has defined it as the whole gamut of activities involved in using resources to gain benefits.</p> <p>According to Dr. Albert O. Hirschman” The development project connotes purposefulness, some minimum size, a specific location, the introduction of something qualitative new, and the expectation that a sequence of further development will be set in motion”.</p> <p>Project can be defined as a scientifically evolved work plan devised to achieve a specific objective with a specified period of time. The three basic attributes of a project are</p> <ol style="list-style-type: none"> <li>1. A course of action</li> <li>2. Specific objectives, and</li> <li>3. Definite time perspective.</li> </ol> <p><b>CLASSIFICATION OF PROJECTS</b></p> <p>Establishment of a new business unit to manufacture some product or arrange for the distribution of products of another company poses a challenge to the entrepreneur.</p> <ol style="list-style-type: none"> <li>a. Helps in expressing and highlighting the essential features of the project.</li> <li>b. Project includes all activities aimed at: <ul style="list-style-type: none"> <li>• Increased production of goods and/ or services.</li> <li>• Increasing the capability of existing projects and</li> <li>• Increasing the productivity of these goods/ services.</li> </ul> </li> </ol> <p>The projects can be classified as under:</p> <p><b>1. Quantifiable and Non- quantifiable projects</b></p> <ul style="list-style-type: none"> <li>• Quantifiable projects- quantitative assessment of benefits can be made. Concerned with industrial development, power generation, and mineral development.</li> <li>• Non- quantifiable projects- where quantitative assessment is not possible. Concerned with health, education, defense etc.</li> </ul> <p><b>2. Sectoral Projects</b></p> <p>In India planning commission has accepted the Sectoral basis as the criterion for classification</p> <ul style="list-style-type: none"> <li>• Agriculture &amp; Allied sector</li> <li>• Irrigation and power sector</li> <li>• Industry and Mining sector</li> <li>• Transport and communication</li> </ul>	5M	5M	<b>10M</b>

	<ul style="list-style-type: none"> <li>• Social service sector</li> <li>• Miscellaneous</li> </ul> <p>Useful in resource allocation at macro level</p> <p><b>3. Techno- Economic Projects</b> Based on their techno- economic characteristics</p> <p>(a) Factor intensity- oriented classification</p> <ul style="list-style-type: none"> <li>• Capital intensive</li> <li>• Labour- intensive</li> </ul> <p>(b) Causation-oriented classification</p> <ul style="list-style-type: none"> <li>• Demand based or,</li> <li>• Raw materials based</li> </ul> <p>Dominant reasons for starting a project</p> <ul style="list-style-type: none"> <li>• Non- availability of certain goods or services and consequent demand for such goods or services.</li> <li>• Availability of certain raw materials, skills or other inputs.</li> </ul> <p>(c) Magnitude- oriented classification- based on the size of the investment.</p> <ul style="list-style-type: none"> <li>• Large- scale.</li> <li>• Medium- scale.</li> <li>• Small- scale.</li> </ul> <p>Techno- economic classification facilitates the process of project feasibility appraisal.</p> <p><b>4. Financial Institution Classification</b> All India and state financial institutions classify projects according to their age, experience and the purpose.</p> <ul style="list-style-type: none"> <li>• New projects</li> <li>• Expansion projects</li> <li>• Modernization projects</li> <li>• Diversification projects</li> </ul> <p>These projects are invariably are profit- oriented.</p> <p><b>5. Services Projects</b></p> <ul style="list-style-type: none"> <li>• Welfare projects</li> <li>• Service projects</li> <li>• Research and development projects</li> <li>• Educational projects</li> </ul>			
b)	<p><b>Discuss contents of the project report.</b></p> <p><b>CONTENTS OF A PROJECT REPORT</b> Following are the contents of a project report.</p> <p><b>1. General Information</b></p> <p>A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the <u>demand for the product</u> in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.</p> <p><b>2. Executive Summary</b></p> <p>A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.</p> <p><b>3. Organization Summary</b></p> <p>The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on <u>sole proprietorship</u>, <u>partnership</u> or <u>joint stock company</u>. It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.</p> <p><b>4. Project Description</b></p>	5M	5M	

A brief description of the project must be stated and must give details about the following:

- Location of the site,
- Raw material requirements,
- Target of production,
- Area required for the workshed,
- Power requirements,
- Fuel requirements,
- Water requirements,
- Employment requirements of skilled and unskilled labour,
- Technology selected for the project,
- Production process,
- Projected production volumes, unit prices,
- Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

### **5. Marketing Plan**

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following:

- Type of customers,
- Target markets,
- Nature of market,
- Market segmentation,
- Future prospects of the market,
- Sales objectives,
- Marketing Cost of the project,
- Market share of proposed venture,
- Demand for the product in the local, national and the global market,
- It must indicate potential users of products and distribution channels to be used for distributing the product.

### **6. Capital Structure and operating cost**

The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owners funds and borrowed funds. Working capital requirements must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.

Proposed financial structure of venture must indicate the expected sources and terms of equity and debt financing. This section must also spell out the operating cost

### **7. Management Plan**

The project report should state the following.

- a. Business experience of the promoters of the business,
- b. Details about the management team,
- c. Duties and responsibilities of team members,
- d. Current personnel needs of the organization,
- e. Methods of managing the business,
- f. Plans for hiring and training personnel,
- g. Programmes and policies of the management.

### **8. Financial Aspects**

In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years.

	<p>The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years. Break even point and rate of return on investment must be stated in the project report. The accounting system and the inventory control system will be used is generally addressed in this section of the project report. The project report must state whether the business is financially and economically viable.</p> <p><b>9. Technical Aspects</b></p> <p>Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.</p> <p><b>10. Project Implementation</b></p> <p>Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.</p> <p><b>11. Social responsibility</b></p> <p>The proposed units draw inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.</p>			
2	<p>a) <b>Give a brief outline of ERP and its functional areas.</b></p> <p><u>Enterprise resource planning (ERP) systems</u> and software connect an organization's functional areas, processes and systems. Business functions such as human resources, finance, manufacturing and inventory control can be linked by one platform that ideally increases efficiency and quality, lowers costs, and provides greater organizational flexibility and decision support.</p> <p>A 2015 study by Allied Market Research predicts the ERP software market will top \$41.6 billion by 2020, with manufacturing and services as the largest sector. North America and Europe are considered the highest adopters of ERP, although the Asia-Pacific region is expected to generate nearly \$10 billion in sales by 2020.</p> <p><b>ERP Functional Areas</b></p> <p><u>ERP</u> is designed to facilitate the sharing of information across functions to eliminate inconsistency and duplication of effort. In selecting an <u>enterprise resource planning</u> platform, organizations should consider the various <u>ERP modules</u> that align with their strategic, economic and technical goals. Let's take a closer look at some of those functional areas:</p> <ul style="list-style-type: none"> <li>• <b>Marketing/Sales</b> – Sales and marketing departments can track the customer experience from presale activities, which begin with contacting the customer, through the actual dispatch of the customer's order. Tasks related to customer visits, expenses, shipping, invoicing, forecasting and competitor analysis can be automated and/or enhanced through an ERP system. Employees can contact customers, follow up on invoices and track orders. Additionally, sales and marketing personnel can monitor their individual goals, which also can be collated and analyzed by managers and business partners.</li> <li>• <b>Customer Relationship Management</b> – <u>ERP platforms</u> also can incorporate customer relationship management (CRM) modules to focus on how a business communicates with its customers. This may include departments such as sales and marketing, and call center support, as well as functions such as customer interaction data, sales pipeline management, lead prioritization and customer retention.</li> <li>• <b>Supply Chain Management</b> – ERP modules supporting <u>supply chain management</u> may feature functions for purchasing, product configuration, supplier scheduling, goods inspections, claims processing, warehousing and more. There are also related modules to manage order processing and distribution tasks.</li> <li>• <b>Manufacturing</b> – Engineering, scheduling capacity, quality control, workflow and product life management are among the core functions that can fall within an ERP system's manufacturing module.</li> <li>• <b>Accounting/Finance</b> – By automating and streamlining tasks related to</li> </ul>	05 M	05 M	10 M

	<p>budgeting, cost and cash management, activity-based costing and other <u>accounting/finance</u> functions, ERP systems can provide businesses with real-time data and insights on performance while also ensuring compliance with relevant financial regulations.</p> <ul style="list-style-type: none"> <li>• <b>Human Resources</b> – <u>Human resources</u> modules within an enterprise resource planning system may include tools and dashboards to gather and interpret data on training, recruiting, payroll, benefits, 401(k), retirement and diversity management. HR managers also can monitor and measure key performance indicators (KPIs) for individual employees, job roles and departments.</li> </ul> <p>As technology trends such as mobile, <u>cloud computing</u>, big data and the Internet of Things continue to reshape the marketplace, ERP systems are evolving to provide businesses with the competitive intelligence necessary to drive success across a variety of functional areas.</p>			
b)	<p><b>Discuss the importance of ERP in organization.</b></p> <p><b>Importance of ERP in Organization</b></p> <p><u>ERP</u> (Enterprise Resource Planning) is business management software that allows an organization to leverage a suite of integrated applications to streamline and automate processes, creating a leaner, more accurate and efficient operation. ERP provides complete visibility into core business processes and optimizes systems through superior resource tracking and reporting, database management and data sharing and overall improved information systems. ERP systems can allow your business to expand without the addition of IT or staffing costs. ERP systems enable business growth.</p> <p>Think of an ERP system as the brain of your company's technology system. In the human body, the brain controls all areas of your body by telling them what to do and ensuring they all work together. The human body is unable to function without and a retail company cannot function without a proper ERP system. It integrates all facets of a business including product development, manufacturing, marketing and sales. By synchronizing all of these areas, businesses are able to gain visibility, increase productivity and operational efficiency, reduce costs and enhance competitiveness.</p> <p>If you're considering implementing an ERP system, upgrading an existing system, or even if you aren't sure if you need one yet, it's worthwhile to understand the benefits that an ERP system can bring to your business. Gain real-time visibility across your entire business with 24/7 access. Increase your ability to understand, monitor and control various organizational systems with unprecedented access to all facets of your business.</p> <p>ERP can enhance your business in other ways:</p> <p><b>Make your business more agile.</b> In a rapidly evolving business climate, being able to respond to change is essential. A good ERP system is flexible, modular and scalable enough to adapt to shifting market dynamics and changing customer needs. You can initially implement specific applications that make sense now and add on seamlessly integrated applications as needed as your business grows.</p> <p><b>Drastically increase efficiency and productivity.</b> Inefficient spreadsheets, manual workflows and outdated software can inhibit your business growth. An ERP system can streamline your entire organization and put your data all in one place, enabling more accurate reporting and a more efficient, collaboration-based and data-driven work environment.</p> <p><b>Save on unnecessary costs.</b> Running your business with an ERP system creates efficiencies that make your business leaner as it grows. Many businesses report that they are able to expand without adding additional staff or IT costs. The cost of implementing an ERP system is easily eclipsed by the ROI of a more efficient, fully optimized business environment.</p> <p><b>Improve security and accessibility</b> while reducing risk and hardware costs by moving your ERP to the cloud. Embrace the future of information systems with a modern ERP hosted in a secure cloud. Moving your ERP applications to the cloud allows you to scale, extend and upgrade quickly. It also increases visibility and accessibility even further, taking full advantage of an ERP system's capabilities.</p> <p><b>Gain a professional partner.</b> When you upgrade to an ERP system, you also gain the partnership of your ERP implementation provider and all the support – from implementation and training to software support to community membership – that they have to offer. Some ERP systems have dedicated user groups and communities</p>	05M	05 M	

		<p>that open up entire networks of industry innovators and dynamic brands.</p> <p><b>Grow your business.</b> An ERP system can eliminate inefficiencies, wasted time and wasted resources, empowering your business to thrive and flourish. If you've been burdened by an inability to keep up with demand because you're limited by conventional systems or stagnant legacy ERP systems, upgrading to a modern ERP system frees your business to realize its true growth potential.</p> <p>While implementing a new ERP system can be a big change for any business, the benefits can be seen almost immediately.</p>			
3	a)	<p><b>Identify the various feasibility studies of starting a new enterprise.</b></p> <p><b>“A feasibility study evaluates the project’s potential for success; therefore, perceived objectivity is an important factor in the credibility of the study for potential investors and lending institutions.”</b></p> <p><b>What is a Feasibility Report?</b></p> <p>The <u>feasibility report</u> is an analysis or study of new business or product idea and covers the discussions, analysis, and study of the different aspects (almost every aspect) of the feasibility of a START-UP businesses.</p> <p>A visibility report focuses on the various aspects of the survivability of the start-up business such as product feasibility, financial feasibility, Market feasibility, Plant/Machinery feasibility, Manpower feasibility, location feasibility etc.</p> <p><b>Know the feasibility of your new Business or Product Idea, Talk with the Expert</b></p> <p><b>The three amazing benefits of having feasibility study or analysis:</b></p> <p><b>1. Specific</b></p> <p>Being focused and specific a feasibility study or analysis starts with a single question — asking whether the idea, event or action is a viable solution — and force you to focus solely on that question to the exclusion of everything else, drilling down to explore possible outcomes.</p> <p>A feasibility analysis is different than the business plan. A feasibility study is an investigative tool that might cause you to discount an idea, whereas a business plan is a call to action. Generally, feasibility analysis is used as a predecessor to creating a <u>business plan</u>.</p> <p><b>2. The Big Picture</b></p> <p>Feasibility study or analysis force you consider the big picture first and then think of a top-down approach. In this way, one or two general starter questions lead to a host of additional, more detailed questions that become increasingly narrower in focus as you get closer to reaching an ultimate answer. For example, asking whether anyone will buy your new-and-improved product and whether it will generate a profit creates additional questions that force you to consider customer need and possible competition, and to identify risks that you may face.</p> <p><b>You must also describe the followings: -</b></p> <ul style="list-style-type: none"> <li>- Your product and its benefits,</li> <li>- Your target market, and</li> <li>- Cost along with break-even and profit points.</li> </ul> <p><b>3. Alternative Solutions</b></p> <p>Feasibility study or analysis offer you the chance to “get it right” before committing time, money and business resources to an idea that may not work in the way you originally planned, causing you to invest even more in correcting flaws, removing limitations, and then simply try again. Feasibility studies may also open your eyes to new possibilities, opportunities, and solutions you might never have otherwise considered. There are no right or wrong answers to the questions you ask, but an answer you don't necessarily want or expect can create new profit potential.</p> <p><b>Here is how Venture Care Team analyze the feasibility of a new business idea</b></p> <p><b>The Usability and inclusion of a feasibility report:</b></p> <p>Feasibility studies do not dive into, in-depth long-term financial projections. In basic terms, investor or start-up owner should have a foresight if he will make or lose money during this project. The investor decides to proceed or not, considering the outcomes of the feasibility study.</p> <p>Accordingly, a successful feasibility study should do a basic break-even analysis to see how much money would be necessary to meet the operating expenses of the business idea.</p> <p><b>So, there are two main elements to take into consideration:</b></p> <ol style="list-style-type: none"> <li>1. Cost = Money + Time + Effort</li> <li>2. Value expected to be delivered by business idea</li> </ol> <p><b>That being said, a feasibility study dives into four major areas:</b></p>	05 M	05 M	10M

	<p>1. Market Analysis  2. Organizational Setup  3. Technical Issues  4. Financial Analysis</p> <p>As the first step of a feasibility study, the <b>market analysis</b> should be done in order to have an idea about supply &amp; demand balance of your product or service.</p> <p><b>1. Market Analysis:</b></p> <ul style="list-style-type: none"> <li>· <b>Units to be Sold:</b> How many units do you project to sell each month?</li> <li>· <b>Supply Projection:</b> What is the projected supply in your area of the products or services needed for your project?</li> <li>· <b>Identification of Target Market and Target Customer:</b> What are your target market and target customer? How many are they, your potential customers?</li> <li>· <b>Competition Analysis:</b> What competition exists in this market? Can you establish a market niche which will enable you to compete effectively with others providing this product or service?</li> <li>· <b>Location:</b> Is the location of your proposed business or project likely to affect its success? If so, is the identified site the most appropriate one available?</li> </ul> <p><b>2. Organizational Setup:</b></p> <p>As the next step to market analysis, right organizational structure and organizational qualifications to manage the business should be determined. People to be on board, in management and other positions should be carefully thought and assigned. In this step, in order to illustrate your organizational structure on an org chart, as a quick and simple solution, use an.</p> <p><b>3. Technical Issues:</b></p> <p>Depending on the nature of your business idea, technology and equipment may become one of the biggest cost elements. So you need to decide on <b>technology and equipment</b> needed. On the other hand, you should consider the date when you will obtain those since they will directly affect your start-up timeline.</p> <p><b>4. Financial Analysis:</b></p> <p><b>As a final step, you should analyze key financial parameters as following:</b></p> <ul style="list-style-type: none"> <li>· <b>Variable Costs:</b> These are the costs incurred in starting up a new business, including COGS</li> <li>· <b>Fixed Costs:</b> Here you will define Opex and Capex</li> <li>· <b>Logistics &amp; Inventory</b></li> <li>· <b>Sales Projections and Target Realization Reporting:</b> This is your monthly sales amount projection.</li> <li>· <b>Sales Channels:</b> You should define how much of sales will be distributed on which channel and sell out prices for each channel</li> <li>· <b>Pricing:</b> Considering competition, the most appropriate price positioning for your product or service should be determined.</li> <li>· <b>Profit and Loss Statement Report:</b> This is for finding the break-even point for the proposed business, considering the costs and revenue generated.</li> </ul> <p><b>As a conclusion, your feasibility study should give a clear idea whether your business idea deserves investment or not. If you want to ease your feasibility study process, using ready-to-use Feasibility Study Kit for Start-ups which include all above will be a smart solution for you.</b></p>			
b)	<p><b>List out the criteria for selecting a project.</b></p> <p><b>Criteria of Selecting a Project are as follows:</b></p> <p>It is the process of evaluating individual projects to select the ones to be implemented, so that the broader objectives of the organization can be fulfilled. The criteria used for selecting a project are similar to the criteria used for making a choice in any other aspect of business.</p> <p>The firm can choose to use a variety of criteria or models to decide on the projects to be undertaken. The same methods may also be used to prioritize projects rather than just select them.</p> <p>Very often, direct comparison of projects may prove to be difficult. With entrepreneurial firms facing a resource crunch, it becomes imperative to prioritize a number of important projects. For example, do you spend money and time to hire and train new technical staff you desperately need or do you concentrate on building a new godown to ensure that you can stock enough material for the high season. Often, entrepreneurs do not have the time or the resources to do both.</p> <p>The models to help in deciding on projects are sophisticated but will represent only a part of the reality. The decision will ultimately have to be taken by</p>	05 M	05 M	



		<p>the entrepreneur or the manager, and these models will only aid the decision-making process.</p> <p><b>1. Profitability:</b></p> <p>The most commonly used metric to select projects is their profitability. Some entrepreneur would like to use the rate of return or the discounted cash flows as their criteria of choice. Many others prefer to use the payback period as the metric to compare projects. Entrepreneurs feel that the short horizon of a payback period tends to minimize the uncertainties associated with longer periods of time.</p> <p>Many of this profitability calculations account for the uncertainties associated with the cash flows. Another major advantage is that it provides a common quantifiable measure to judge diverse projects.</p> <p>The major disadvantage of using measures of profitability is that other than risk, all other non-monetary factors are ignored. Also, the uncertainties around cash flows may not be accurately captured.</p> <p><b>2. Competitive Necessity:</b></p> <p>This is the priority when the project is chosen based on what seems most essential to maintain the company's competitive position in the market. The entrepreneur might think that the full impact of the project may not be revealed in a mere profitability analysis.</p> <p><b>3. Operating Necessity:</b></p> <p>Sometimes, a project has to be undertaken because it is vital to continue the business operations of the company. For example, if supply of electricity to a unit stops, then alternative arrangements such as a generator have to be immediately put in place.</p> <p>An operating necessity will take precedence over a competitive necessity in most situations.</p> <p><b>4. Scoring:</b></p> <p>To overcome the shortcomings of using just profitability for selecting a project, a number of decision criteria are taken into account in a scoring model. Scoring models can vary in their complexity and information requirements. A model can have weighted or unweighted factors.</p> <p>It is very simple to come up with a scoring model. Just put down the criteria important for you in selecting a project, assign weights depending on the importance of the factors and find an appropriate way to assign score.</p> <p>These models will allow easy sensitivity analysis and trade-offs between criteria can be easily observed.</p> <p>The important step after selecting projects is to sort them in order of priority. That is quite easy if these are done on the basis of a scoring model or with simple profitability analysis. It does become slightly complex when you factor in the effect of delaying a project. For example, some projects might be grossly affected if they are delayed and some others would not be impacted at all. So, when ordering projects, it is important to factor in the effect of delays too.</p>			
4	a)	<p><b>Identify the various characteristics of small enterprises.</b></p> <p><b>Characteristics:</b></p> <ul style="list-style-type: none"> <li>• <b>Ownership:</b> SSI's generally are under single ownership. So it can either be a sole proprietorship or sometimes a partnership.</li> <li>• <b>Management:</b> Generally both the management and the control is with the owner/owners. Hence the owner is actively involved in the day-to-day activities of the business.</li> <li>• <b>Labor Intensive:</b> SSI's dependence on technology is pretty limited. Hence they tend to use labour and manpower for their production activities.</li> <li>• <b>Flexibility:</b> SSI's are more adaptable to their changing business environment. So in case of amendments or unexpected developments, they are flexible enough to adapt and carry on, unlike large industries.</li> <li>• <b>Limited Reach:</b> Small scale industries have a restricted zone of operations. Hence, they can meet their local and regional demand.</li> </ul> <p><b>Resources utilization:</b> They use local and readily available resources which help the economy fully utilize natural resources with minimum wastage.</p>	05 M	05 M	10 M
	b)	<p><b>Explain the role of TECSOK in promotion of small enterprise in Karnataka.</b></p>	05 M	05 M	

		<p><b>Technical Consultancy Service Organization of Karnataka (TECSOK)</b></p> <p>TECSOK is a multidisciplinary management consultancy organization promoted by the Government of Karnataka to provide reliable consultancy services in India. TECSOK has been excelling its expertise in a wide range of services. The package of services includes feasibility studies, market research, valuation of assets, environment impact studies, energy management and audit, management studies like corporate plan, reorganization and restructuring of enterprises, man power planning, budgetary control systems, mergers and acquisitions, investment opportunities, technology transfers, diagnostic studies and also designing and organizing training programmes in all related areas. Of late, <b>TECSOK</b> is also concentrating on studies relating to Cleaner Production technologies and methods.</p> <p>TECSOK has been considered by the Government of Karnataka, Government of India, State &amp; Central Financial Institutions, Commercial Banks, Asian Development Bank and a host of other institutions of the Government and Private as the recognized consultancy agency.</p> <p><b>A Powerhouse of Expertise</b></p> <p>The <b>TECSOK</b> consultancy is driven by top-notch professionals from different disciplines; engineers, management experts, economists and financial consultants. <b>TECSOK</b> partners with reputed national and multinational consultants, outsourcing expertise for professional synergy.</p> <p>As an investor, there are many imponderables that will engage your mind. For instance, you would like to have reliable information on the kind of product that would be feasible, the location for your industry, and the procedures for establishing the industry. Other inputs you may require would be in the area of market research, manpower planning, technology, environmental issues etc.</p> <p><b>TECSOK</b>, with its vast experience will provide you valuable insights and practical solutions in all of these areas and others in which you may need assistance. With its range of services, <b>TECSOK</b> offers a single platform from which you can get all the inputs you require.</p> <p><b>SERVICES</b></p> <ul style="list-style-type: none"> <li>• Location Specific identification of investment opportunities.</li> <li>• Assistance in obtaining statutory and procedural clearances.</li> <li>• Feasibility studies and environment impact studies.</li> <li>• Preparation of detailed project reports as per investment norms and financial norms..</li> <li>• Market survey and research.</li> <li>• Project implementation and turnkey assistance.</li> <li>• Reorganization and restructuring of enterprises.</li> <li>• Valuation of assets, man power planning &amp; budgetary control system.</li> <li>• Energy management &amp; audit, corporate plan, technology transfer.</li> <li>• Diagnostic studies and rehabilitation of sick industries.</li> <li>• Designing and organizing training programmes</li> <li>• Since its inception, TECSOK has catalyzed a large number of industries throughout the province.</li> <li>• Management studies, company formation, corporate plan, enterprise restructuring.</li> <li>• Port tariff study and related areas.</li> <li>• Consultancy for agro-base industries as a Nodal Agency of Government of India.</li> <li>• Consultancy for merger/takeovers.</li> <li>• Infrastructure development project reports</li> </ul>			
5	a)	<p><b>Discuss the important activities in establishing small enterprise with the help of KSSIDC.</b></p> <p><b>Karnataka State Small Industries Development Corporation</b></p> <p>Karnataka State Small Industries Development Corporation is the industrial and investment promotion agency of the Government of Karnataka. The growth of Small Scale Industries in our country since independence is rightly regarded as one of the most significant features of planned economic development. The very concept of small-scale industries, as we know, was not in vogue on the eve of independence. Rural and Cottage industries, which constituted the “indigenous sector” of our industries, were wide spread throughout the length and breadth of our country.</p>	05 M	05 M	10 M

Various programmes to sustain, modernize and further develop this group of industries were initiated soon after the independence and the modern small-scale industry scheme has gradually emerged out of this programme. The Small Scale Industries have provided opportunities for self employment to educated young men and experienced technicians from the middle level of society and contributed full to the growth of industrial entrepreneurship in our country. Today small-scale industries are regarded as power tool for balanced regional economic development. These achievements are primarily due to the dynamic enterprising spirit of the small-scale industrialists themselves.

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**Advantages in Having Your Unit in KSSIDC Industrial Estate**

KSSIDC functions for all practical purposes like a core corporate body. Estates are marked with a difference from Normal Private Estate.

The advantages to be a part of KSSIDC are:

1. KSSIDC Land is for Industrial Purpose. So no need to waste time for N.A./NOC. SSIDC establishes its estates after verifying the viability and Water, Power, Linkages, Communication, disposal of waste the entrepreneur gets a really developed and planned area.
2. KSSIDC estates are provided with required amenities like Training institute, P&T office, dispensary, police chowky, community garden banks canteen etc.,
3. All titles related to land/building within KSSIDC estates are free from any encumbrances and are easily transferable.
4. An entrepreneur can start the industry by collecting necessary possession certificate and by paying necessary EMD.
5. KSSIDC provides ready to occupy sheds for immediate starting of industries and also provide Go down for storage of its materials.
6. KSSIDC being a Government Organization is, transparent and of the prices of land/building. The prices so fixed are accepted by Financial Institutions for quick approval of loans.
7. KSSIDC estates, provides a unique opportunity to entrepreneur cluster benefits related to Raw material, market technology services, linkages etc.,
8. Any up gradation programme undertaken in KSSIDC estate will be advantage to all industries located therein.
9. KSSIDC provides special services in acquiring and allotting land to SSI entrepreneurs.
10. KSSIDC allots land on top priority basis to start industry by SC/ST/SEDC applicants, further to needy SC & ST units of Backward areas will be paid

	<p>subsidy amount and also reduced payment of EMD / application / scrutiny fee.</p> <p>11. KSSIDC divisional offices established in the state will have raw-material depots to distribute raw materials to SSI units.</p> <p>12. KSSIDC estate provides ISI testing units to help SSI units to process quality products.</p> <p>13. KSSIDC collects the installment amount due from shed allottees on annuity method. KSSIDC estates where SSI units established will get easy loans from financial institute and nationalized banks for purchase of machinery and also loans to purchase raw materials.</p>			
b)	<p><b>Give an outline of i) NSIC and ii) DIC</b></p> <p><b><u>National Small Industries Corporation (NSIC)</u></b></p> <p>NSIC is an ISO 9001-2015 certified Government of India Enterprise under Ministry of Micro, Small and Medium Enterprises (MSME). NSIC has been working to promote, aid and foster the growth of micro, small and medium enterprises in the country. NSIC operates through countrywide network of offices and Technical Centers in the Country. In addition, NSIC has set up Training cum Incubation Centre managed by professional manpower.</p> <p><b>Mission:</b> “To promote and support Micro, Small &amp; Medium Enterprises (MSMEs) Sector” by providing integrated support services encompassing Marketing, Technology, Finance and other services.</p> <p><b>Vision:</b> “To be a premier Organization fostering the growth of Micro, Small and Medium Enterprises (MSMEs) Sector”.</p> <p><b>Schemes of NSIC</b></p> <p>NSIC facilitates Micro, Small and Medium Enterprises with a set of specially tailored scheme to enhance their competitiveness. NSIC provides integrated support services under Marketing, Technology, Finance and other Support service.</p> <p><b>Marketing Support</b></p> <p>Marketing has been identified as one of the most important tool for business development. It is critical for the growth and survival of MSMEs in today's intensely competitive market. NSIC acts as a facilitator and has devised a number of schemes to support enterprises in their marketing efforts, both domestic and foreign markets. These schemes are briefly described as under :</p> <p><b>Consortia and Tender Marketing</b></p> <p>Small Enterprises in their individual capacity face problems to procure &amp; execute large orders, which deny them a level playing field vis-a-vis large enterprises. NSIC forms consortia of Micro and Small units manufacturing the same product, thereby pooling in their capacity.</p> <p>NSIC applies the tenders on behalf of single MSE/Consortia of MSEs for securing orders for them. These orders are then distributed amongst MSEs in tune with their production capacity.</p> <p><b>MSME Global Mart B2B Web Portal for MSMEs</b></p> <p>With increase in competition and melting away of international boundaries, the demand for information is reaching new heights. NSIC, realizing the needs of MSMEs, is offering Infomediary Services which is a one-stop, one-window bouquet of aids that will provide information on business &amp; technology and also exhibit the core competence of Indian MSMEs. B2B Webportal is offering following benefits to the members of Infomediary Services.</p> <ul style="list-style-type: none"> <li>• Interactive database of MSMEs</li> <li>• Self web development tool</li> <li>• National Tenders on email</li> <li>• Centralized mail system</li> <li>• Popular Products Section</li> <li>• Unlimited global Trade Leads</li> <li>• Trust Seal of NSIC</li> <li>• MSME Web Store</li> <li>• Multiple Language Support</li> <li>• Discussion Board</li> <li>• Call Centre Support &amp; Live Chat</li> <li>• Other Value added Services</li> <li>• Payment Gateway for membership subscription</li> </ul> <p><b>Marketing Intelligence</b></p>	05 M	05 M	

Collect and disseminate both domestic as well as international marketing intelligence for the benefit of MSMEs. This cell, in addition to spreading awareness about various programmes / schemes for MSMEs, will specifically maintain database and disseminate information.

#### **Exhibitions and Technology Fairs**

To showcase the competencies of Indian SSIs and to capture market opportunities, NSIC participates in select International and National Exhibitions and Trade Fairs every year. NSIC facilitates the participation of the small enterprises by providing concessions in rental etc. Participation in these events exposes SSI units to international practices and enhances their business prowess.

#### **Buyer-Seller meets**

Bulk and departmental buyers such as the Railways, Defence, Communication departments and large companies are invited to participate in buyer-seller meets to enrich small enterprises knowledge regarding terms and conditions, quality standards, etc required by the buyer. These programmes are aimed at vendor development from MSMEs for the bulk manufacturers.

#### **Credit Support**

NSIC facilitates credit requirements of small enterprises in the following areas:

#### **Financing for procurement of Raw Material (Short term)**

NSIC's Raw Material Assistance Scheme aims at helping Small Enterprises by way of financing the purchase of Raw Material (both indigenous & imported). The salient features are:

1. Financial Assistance for procurement of Raw Materials upto 90 days.
2. Bulk purchase of basic raw materials at competitive rates.
3. NSIC facilitates import of scarce raw materials.
4. NSIC takes care of all the procedures, documentation & issue of letter of credit in case of imports.

#### **Finance through syndication with Banks**

In order to ensure smooth credit flow to small enterprises, NSIC is entering into strategic alliances with commercial banks to facilitate long term / working capital financing of the small enterprises across the country. The arrangement envisages forwarding of loan applications of the interested small enterprises by NSIC to the banks and sharing the processing fee.

#### **Technology Support**

Technology is the key to enhancing a company's competitive advantage in today's dynamic information age. Small enterprises need to develop and implement a technology strategy in addition to financial, marketing and operational strategies and adopt the one that helps integrate their operations with their environment, customers and suppliers.

NSIC offers small enterprises the following support services through its Technical Services Centres and Extension Centres:

1. Advise on application of new techniques
2. Material testing facilities through accredited laboratories
3. Product design including CAD
4. Common facility support in machining, EDM, CNC, etc.
5. Energy and environment services at selected centres
6. Classroom and practical training for skill upgradation

#### **District Industries Centre (DIC)**

The industrial Policy 1977 contained the concept of District Industries Centres (DIC). DIC program was initiated on 1st May 1978 as a centrally sponsored scheme. It was a landmark measure in development of cottage and small industries in smaller towns in India. DIC's were started with a view to provide integrated administrative framework at the district level for industrial promotion.

It is aimed at providing all assistance and support to entrepreneurs in various states. These centres are responsible for effective promotion of cottage and small scale industries at district level. These centres also to provide support facilities, concessions and services to develop tiny, cottage and district industries centres small scale units.

#### **Objective of District Industries Centres**

The basic purpose of these DIC's is to generate more employment opportunities for rural people. It was intended to make the Centre as a central location for-

1. granting financial and other facilities to small units
2. developing close links with development blocks and specialized institutions

	<p>providing help to set up industries in rural areas 3. identifying and helping new entrepreneurs</p> <p><b>Resource for District Industries Centres</b> Financial assistance is provided by the Government of India for District Industries Centre in the following manner: 1. A non-recurring grant up to Rs.2 lakh for construction of an office building. 2. A non-recurring grant up to Rs.3 lakh for meeting the expenditure on furniture and fixtures, office equipment and vehicles. 3. Recurring establishment expenditure to the extent of 75 percent of the actual expenditure, limited up to Rs.3.75 lakhs.</p> <p><b>Structure of District Industries Centres</b> DIC's comprise of: 1. One General Manager 2. Four functional managers, of whom three would be in the areas of economic investigation, credit and village industries. The fourth functional manager may be entrusted with responsibility in any of the areas like raw materials marketing, training etc., depending on the specific requirements of each district. 3. Three Project managers to provide technical service in the area relevant to needs of the district concerned. Their role is to facilitate modernization and up gradation of technology in the small sector.</p> <p><b>Activities of District Industries Centres</b></p> <ol style="list-style-type: none"> <li>1. Registration of SSI units (Permanent/ Provisional).</li> <li>2. Registration of Handicrafts/Cottage industries.</li> <li>3. Implementation of Prime Minister's Rozgar Yojana.</li> <li>4. Granting of Subsidies to SSI units.</li> <li>5. Distribution of Project profiles among entrepreneurs.</li> <li>6. Training for Entrepreneur Development Programme.</li> <li>7. Organization of Industrial Cooperative Societies.</li> <li>8. Raw Material assistance through SIDCO.</li> <li>9. Allotment of sheds in Electrical &amp; Electronic Industrial Estates.</li> <li>10. Marketing assistance through SIDCO.</li> <li>11. Conducting Motivation Campaigns.</li> <li>12. Clearance of licenses etc. through Single Window Meeting.</li> <li>13. Rehabilitation of sick SSI units.</li> <li>14. Recommendation of Awards to SSI units.</li> <li>15. Recommendation of loan applications to banks under KVIC Scheme.</li> </ol>			
6	<p>a) <b>Explain the role of KSFC and KIADB.</b> <b>Karnataka State Financial Corporation (KSFC)</b> <b>INTRODUCTION</b> <b>Vision of KSFC</b></p> <ul style="list-style-type: none"> <li>• To reach and covers the entire state of Karnataka.</li> <li>• To suit the knowledge of each region in terms of infrastructure and natural resources industrialization and entrepreneurship.</li> </ul> <p>Specialization in the appraisal, monitoring a recovery of loans of SSI/MSI of other new fund and the based activities, A continuous journey towards the development of SSI and entrepreneurs.</p> <p><b>Mission of KSFC:</b> To be a premier, self sustained financial institution for catalyzing creating and. sustaining viable investment in the small scale and medium scale of Industry and services and the financial sectors in the state of Karnataka State.</p> <p>KSFC is one of the fast track term lending financial institutions in the country with assistance to over 1,73,607 units amounting to nearly Rs 17,217 crore over the last 60 years in the State of Karnataka. KSFC is one of the robust and professionally managed State Financial Corporations.</p> <p>Karnataka State Financial Corporation is a state level financial institution established by the State Government in the year of 1956 under the State Financial Corporation Act 1951 to meet mainly the long term financial needs of Small and Medium Entrepreneurs (SME's) in the state of Karnataka.</p> <p>The Karnataka State Financial Corporation, which prior to November 1, 1973, was known as the Mysore State Financial Corporation, was established on March 30, 1959. The then Government of Mysore established the Karnataka State Financial Corporation by notification No. ED 28 BIS 59 Dated 30th March 1959.</p>	05 M	05 M	10 M

The Mysore Government at Rs. 2 Crore fixed the authorized share capital. As compared to this, today's authorized share capital is Rs. 500 Crore with a provision that the state Government of Karnataka, on the recommendation of the Small Industries Development Bank of India, increases the authorized capital upto Rs. 1000 Crore.

Today, while the State Economy is making rapid strides in the global market Karnataka State Financial Corporation is moving in tandem. As a pioneering and responsive financial institution, Karnataka State Financial Corporation is fine tuned to fulfill the plans and aspirations of entrepreneurs by extending all possible assistance. Amendments to the SFC's Act provide for wide ranging scope of assistance and operational flexibility keeping this in view. Karnataka State Financial Corporation has re-engineered itself to ensure utmost customers satisfaction with new energy thrust and speed.

In the 49 year's of existence, Karnataka State Financial Corporation has contributed most significantly for the growth of SSI's backward area development promotion of first generation entrepreneurs. Its achievement in these areas is unparalleled.

Since inception, Karnataka State Financial Corporation has assisted more than 1,55,453 units with cumulative sections of over Rs. 7,427,65 Crores out of which more than 50% is towards SSI's.

Karnataka State Financial Corporation as ISO 9001-2000 certified organizations is proud to have played a major role in the industrial development of the state. It is also the proud privilege of Karnataka State Financial Corporation to have assisted many industries that are internationally recognized like the INFOSYS & BIOCON.

#### **Background and Inception of The Company**

##### **Introduction of Finance:**

Finance is the foundation of all kinds of economic activities. The Sanskrit sayings "Arthah Sachivah" which means finance reigns supreme speaks volumes for the significance of the finance functions in any business proposition, this point of view is well brought out by Mr. Al Kingshort, who states financial is the common denominator of vast range of corporate objectives and the major part of any corporate plan must be expressed in financial terms.

##### **Business Finance:**

Business finance is that business activity which is concerned with the acquisition and conversation of capital finance in meeting financial needs and over all objectives of business enterprises.

Business finance can broadly be defined as the activity concerned with planning, rising controlling and administering of the funds used in the business.

Financial management is mainly concerned with the proper management of funds. The finance management must see that the funds are procured in a manner that the risk, cost & control consideration are properly balanced in a given situation and there is optimum utilization of funds

According to Solomon financial management is concerned with the efficient us of an important economic resource, namely capital funds.

The financial management process begins with the financial planning and decisions, while implementing these decisions the firm has to acquire certain risk and return characteristics.

##### **Small and Medium Scale Industries Sector:**

Small scale and cottage industries are important parts of the structure and texture of Indian manufacturing sector. Small scale industrial units are those which operate with a modest investment in fixed capital, relatively small scale work force and which produce a relatively small volume of output of goods I services. The differ from large-scale industries with respect to size of capital, employment, production & management flow of input and output and so on. The differ from cottage industries with respect to the degree of mechanization of production, ratio of hired labour to family labour, geographic size of market, capita!, employed and so on.

The small scale industries sector is a vital constituent of India's industrial sector it contributes significantly to India's gross domestic production and export earning besides meeting the social objectives including that of providing employment opportunities to millions of people across the country. The SSI sector covers a wide spectrum of industries categorized under.

A] Small scale industrial undertakings.

- B] Ancillary industrial undertakings. IANCI
- C] Export oriented units [COU's}
- D] Tiny enterprises
- E] Small scale service enterprise [SSSE's]
- F] Small scale service business [Industry Related] enterprises [SSSBE's]
- G] Arubans, viiage and cottage industries, and
- H] Woman entrepreneurs enterprises, i.e. a small scale unit where one are more woman entrepreneurs have not less than 51% financial holdings

**Nature of The Business Carried**

Nature of the business of the KSFC is mainly lending Business. KSFC is a financial super market, It extends all types of financial assistance in the form of long term loans, short-term loans ( in the form of corporate loans), lease finance, hire purchase finance, merchant banking and financial service etc. KSFC's assistance covers almost all types of industrial and service sectors.

KSFC is a category one merchant banker as approved by Securities and Exchange Board of India (SEBI). The Merchant Banking Division takes up management of public issues, DPG syndication of loans, bills discounting etc. The other activities are subscription to the non-convertible debentures and factoring services.

As per SFCs Act, the following activities are eligible for financial assistance.

- Manufacture, preservation or processing of goods
- Mining or development of mine
- Hotel Industry
- Acquisition of transport vehicles (passengers I goods)
- Generation or distribution of electricity or any other form of power
- Maintenance, repair, testing or servicing of machinery and vehicles
- Assembling , repairing or packing any article with the aid of machinery or power
- Setting up or development of an industrial area or industrial estate
- Providing weigh bridge facilities

Providing engineering, technical , financial management marketing or other services of facilities for industry Providing medical, health or other allied services Providing software or hardware services relating to information technology, telecommunications or electronics including satellite linkage and audio or visual cable communication

**Construction activity**

Development, maintenance and construction of roads Providing commercial complex facilities and community centers including conference halls

- Floriculture
- Service Industry
- Research and developments activities
- Such other activities approved y SIDBI from time to time

**Karnataka Industrial Areas Development Board (KIADB)**

**KIADB – As a Premier Industrial Land Provider**

Karnataka Industrial Areas Development Board (KIADB) is a statutory body, constituted under sec.5 of Karnataka Industrial Areas Development Act (KIAD Act)-1966 vide order No. Cl 67 GMI 66 dated 20th June 1966 to promote rapid and orderly establishment and development of industries and for providing industrial infrastructural facilities and other amenities in Industrial areas in the State of Karnataka. KIAD Act-1966, a special Act, provides for expeditious acquisition of lands for industrial and infrastructure purposes.

KIADB functions as per statutory provisions, Rules and Regulations enacted under the KIAD Act. The Board comprises of senior Government Officers in their ex-officio capacities. The Board members meet regularly to take decisions and monitor the functions. The vision of KIADB and world class infrastructure has made investors all over the world take notice of Karnataka as the premier destination for their startups and ventures.

**Aims and Objectives:**

1. Promote rapid and orderly development of industries in the state.
2. Assist in implementation of policies of Government within the purview of KIAD Act.



	<p>3. Facilitate in establishing infrastructure projects. 4. Function on “No Profit – No Loss” basis.</p> <p><b>Functions:</b></p> <ol style="list-style-type: none"> <li>1. Acquire land and develop industrial areas in the state.</li> <li>2. Provide basic infrastructure in the industrial areas.</li> <li>3. Acquire land for Single Unit Complexes.</li> <li>4. Acquire land for Government agencies for their schemes and infrastructure projects.</li> </ol> <p><b>Facilitator of Industrial Growth</b></p> <p>KIADB has so far developed 173 Industrial Areas in 30 districts of the State. A typical industrial area developed by the Board will have following infrastructure facilities:</p> <ul style="list-style-type: none"> <li>• Approach roads and internal roads with storm water drains.</li> <li>• Power supply and street lighting.</li> <li>• Water supply.</li> <li>• CETP/STP.</li> <li>• Technical Training Centres and R&amp;D centres.</li> <li>• Common Facilities Centres to accommodate Banks, Post Offices, Telephone Exchanges, Dispensaries and Canteens, among others.</li> <li>• Power Sub-Station.</li> <li>• Hotels &amp; Hospitals.</li> <li>• Housing tenements to provide housing facility to the labour force working in the industrial units.</li> </ul>			
b)	<p><b>Discuss various steps in starting a SSI.</b></p> <p><b>Introduction</b></p> <p>Small Scale Industries are those industrial undertakings having a fixed investment in plant and machinery, whether held on an ownership basis or a lease basis or a hire purchase basis and not exceeding Rs.1 crore. It has a larger contribution to the growth of an economy. However, this investment money is varied by the Government from time to time.</p> <p>A small scale unit is normally a one-man show and even in the case of a partnership the activities are mainly carried out by the active partner and the rest are sleeping partners. The area of operation of small units is localized, catering to the local or regional demand. Small industries are fairly intensive with comparatively smaller capital investment than the larger units. Therefore, these units are more suited for economics where capital is scarce, and there is an abundant supply of labor. The Ministry of Small Scale Industries has now merged with the Ministry of Agro and Rural Industries to form the Ministry of Micro, Small, and Medium Enterprises (MSME).</p> <p><b>Registration of Small Scale Industries</b></p> <p>One of the advantages of small scale industries is that they are more flexible to adapt to changes to the new method of production, the introduction of new products, etc. Small scale units as compared to large scale units are more change susceptible and highly reactive and responsive to socio-economic conditions. The objective of small scale industries is to adapt to the latest technology and to produce better quality products at lower costs.</p> <p>Even in this type of business, registration is voluntary and not compulsory. But, its registration with the State Directorate or Commissioner of industries or DIC’s makes the unit eligible for availing different types of Government assistance like financial assistance from the Department of Industries, medium and long terms loans from State Financial Corporations and other commercial banks, machinery on hire-purchase basis from the National Small Industries Corporation, etc.</p> <p>Two types of registration are done in all States.</p> <ul style="list-style-type: none"> <li>• Firstly, a provisional registration certificate is given, i.e., valid for normally five years and after the commencement of production, a permanent certificate is given, i.e., in perpetuity.</li> </ul> <p>Once the company is being registered as an SSI, it can avail several benefits such as cheap Bank Finance, exemption from Sales Tax, exemption from Excise Duty, ease in getting licenses and permissions, capital subsidy, ISO-9000 Certification reimbursement, reduced customs duty and several other benefits provided by the State Government.</p> <p><b>Procedures for Setting Up of a Small Scale Business</b></p>	05 M	05 M	

Small Scale Business provides more independence than the large scale business and through this type of business one can fulfill their dream to become an entrepreneur. It eliminates much of the overhead expense and extensive planning required in larger business ventures. One can set up small-scale industries by following the simple procedures, which are as follows:

**Decision Making:** *First of all*, you need to prepare the description for the small scale industry you want to set up. It is necessary to decide whether you wish to set up a corporation, proprietorship or partnership. The potential entrepreneur has to analyze his strength, weakness while deciding for entrepreneur career. This analysis helps in knowing what type and size of business would be the most suitable.

**Scanning Of Business Environment:** Before setting up your industry, it is always essential to study and understand the prevailing business environment in which they operate particularly the industrial policy, economic policy, licensing policy, legal environment, and technological environment. The environment impacts a lot in setting up a proper industry.

**Product Selection:** You need to decide the product you wish to manufacture or the service you wish to offer. While choosing the product or service you want to offer, you must conduct a good market research and learn about the prevailing competition in the market.

**Location:** You need to choose a location to set up your small scale industry. While choosing the location such factors such as nearness to market, sources of material availability of raw materials, labor, transportation services, modern infrastructural facilities and other things are considered. Location determines the success or failure of the enterprise.

**Technology:** To manufacture any item, technology is used. The entrepreneur should collect information on all available technologies, and the most suitable one should be identified. This will also be useful to determine the type of machinery and equipment to be installed.

**Project:** Project appraisal means the assessment of a project. It is a technique for ex-ante analysis of a scheme or project while preparing to set up an enterprise; the entrepreneur has to appraise the project carefully from the standpoint of economic, financial, technical, market, social and managerial aspects to arrive at the most socially-feasible enterprise.

**Finance:** Finance is the lifeblood of the enterprise. So, the next big step is to arrange for finance. No business can be created, with zero capital. If you don't have enough finance and then the best way is to borrow or take a loan.

**Provisional Registration:** It is always worthwhile to get the unit registered with the government. The entrepreneur has to obtain the prescribed application from DIC or Directorate of Industries. After having duly filled in the application form, he has to submit the application with all relevant documents in the local DIC or Directorate of Industries.

**Production Management:** Production management is the next step, once you can start your small scale industry. This includes allocating space for different operations and choosing your production methods. You are required to purchase machinery and hire employees and workers for different departments.

**Power And Water Connection:** The sites where the enterprise will be located should either have adequate power connections, or it should be arranged. The entrepreneur can calculate the total power requirement and determine the nearest pole from which power will be given to the enterprise, as it can materially affect the installation cost.

**Installation Of Machinery:** Once the above formalities have been completed; the next step is to procure machinery and begin its installation as per the plant layout.

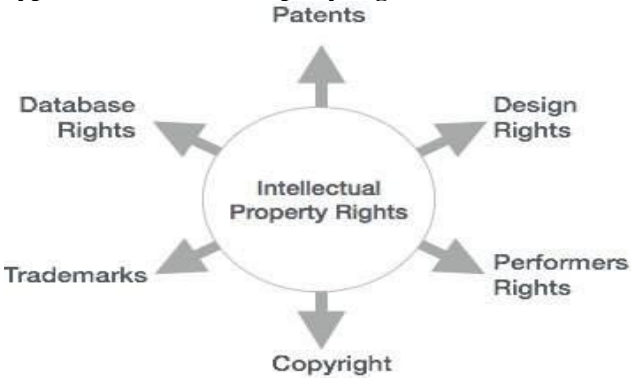
**Insurance:** It is necessary to have adequate insurance for fixed assets at this stage and later on for the current assets as well.

**Recruitment Of Manpower:** Once machines are installed, the need for manpower arises to run them. So, the quantum and type of manpower are to be decided. The sources of getting desired labor are also important. This follows the recruitment, training, and placement.

**Production:** The unit established should have an organizational set-up. To operate optimally, the organization should employ its manpower, machinery, and methods effectively. There should not be any wastage of manpower, machinery, and materials. If items are exported, then the product and its packaging must be attractive.

**Marketing:** Marketing is the most important activity as far as the entrepreneurial development is concerned. Marketing and business advertising form the next big step

	<p>of setting up a small scale industry. Online business directories and various traditional forms of advertising can gain exposure for your business. Prices for your products or services are decided to keep in mind the profit margin.</p> <p><b>Quality Assurance:</b> Before marketing, the product quality certification from BIS (Bureau of Indian Standard)/ AGMARK/HALLMARK, etc., should be obtained depending upon the product. If there are no quality standards specified for the products, the entrepreneur should evolve his quality control parameters.</p> <p><b>Permanent Registration:</b> After the small scale unit goes into production and marketing, it becomes eligible to get permanent registration based on its provisional registration from the DIC or Directorate of Industries.</p> <p><b>Market Research:</b> Once the product or service is introduced in the market, there is strong need for continuous market research to assess needs and areas for modification, up gradation and growth.</p> <p><b>Monitoring:</b> Periodical monitoring and evaluation not only of markets but also production, quality, and profitability help in knowing where the firm stands in comparison to performance envisaged in the business plan. It also identifies the direction of future growth. Therefore, planning is a useful aspect of setting up a small scale. According to business, at every stage, you are required to improve your plan.</p> <p><b>Conclusion</b></p> <p>It can be concluded that setting up small scale industries is not a difficult task. The procedure of small scale industries is simple and easy than the large scale industries. So, if one wants to set up an industry, one can surely go for it. It is profitable, easier and helps in the growth of the economy of the country.</p>			
7	<p>a)</p> <p><b>Explain Government of India industrial policy 2007 on micro and small enterprises.</b></p> <p><b>Industry policy 2007</b></p> <p><b>Initiatives for micro and small enterprises:</b></p> <p>1. By enacting the Micro, Small and Medium Enterprises Development Act, 2006, the Government has recently fulfilled one of the needs felt and articulated by this segment for long. This Act seeks to facilitate promotion and development and enhancing competitiveness of these enterprises. It provides the first-ever legal framework for recognition of the concept of “enterprise” (comprising both manufacturing and services) and integrating the three tiers of these enterprises, namely, micro, small and medium. Apart from clearer and more progressive classification of each category of enterprises, particularly the small, the Act provides for a statutory consultative mechanism at the national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and simplification of the process of closure of business by all three categories of enterprises are some of the other features of this legislation.</p> <p>2. The Government has also announced a Policy Package for Stepping up Credit to Small and Medium Enterprises assuring, inter alia, a 20 per cent year-on-year growth in credit flow.</p> <p>3. Significant improvements have also been made in the Credit Linked Capital Subsidy Scheme for Technological Up gradation, leading to a spurt in the number of units availing of its benefits.</p> <p><b>Credit Support</b></p> <p>1. In line with the Policy Package for Stepping up Credit to Small and Medium Enterprises (SME), the Reserve Bank of India (RBI) has already issued guidelines to the public sector banks to ensure 20 per cent year on-year growth in credit to the SME. Action has also been initiated to operationalise other elements of the said Policy Package. Implementation of these measures will be closely monitored by the RBI and the Government.</p> <p>2. The Small Industries Development Bank of India (SIDBI) will scale up and strengthen its credit operations for micro enterprises and cover 50 lakh additional beneficiaries over five years beginning 2006-07. Government will provide grant to SIDBI to augment SIDBI’s Portfolio Risk Fund for this purpose.</p> <p>3. Government will also provide grant to SIDBI to enable it to create a Risk</p>	05 M	05 M	10 M

	<p>Capital Fund (as a pilot scheme in 2006-07) so as to provide, directly or through intermediaries, demand-based small loans to micro enterprises. 2.4 SIDBI's direct lending operations will be expanded by increasing the number of branches from 56 to 100 in two years beginning 2006-07, with a view to catering to the credit needs of more clusters of micro and small enterprises (MSEs).</p> <p><b>Strengthening of Data Base for MSME Sector</b></p> <p>1. To strengthen the data base for the MSME sector, statistics and information will be collected in respect of number of units, employment, rate of growth, share of GDP, value of production, extent of sickness/closure and all other relevant parameters of micro, small and medium enterprises, including khadi and village industry units set up under Rural Employment Generation Programme and Prime Minister's Rozgar Yojana as well as coir units, through annual sample surveys and quinquennial census.</p> <p>2. The quinquennial census and annual sample surveys of MSMEs will also collect data on women-owned and/or managed enterprises. 10.3 A scheme will also be formulated and implemented to regularly collect data on exports of products/services manufactured/provided by micro, small and medium enterprises, including khadi and village industries.</p>			
<p><b>b)</b></p>	<p><b>Give a brief outline of IPR.</b></p> <p><b>Intellectual Property Rights (IPR)</b></p> <p>Intellectual property rights are the legal rights that cover the privileges given to individuals who are the owners and inventors of a work, and have created something with their intellectual creativity. Individuals related to areas such as literature, music, invention, etc., can be granted such rights, which can then be used in the business practices by them.</p> <p>The creator/inventor gets exclusive rights against any misuse or use of work without his/her prior information. However, the rights are granted for a limited period of time to maintain equilibrium.</p> <p>The following list of activities which are covered by the intellectual property rights are laid down by the World Intellectual Property Organization (WIPO) –</p> <ul style="list-style-type: none"> <li>• Industrial designs</li> <li>• Scientific discoveries</li> <li>• Protection against unfair competition</li> <li>• Literary, artistic, and scientific works</li> <li>• Inventions in all fields of human endeavor</li> <li>• Performances of performing artists, phonograms, and broadcasts</li> <li>• Trademarks, service marks, commercial names, and designations</li> <li>• All other rights resulting from intellectual activity in the industrial, scientific, literary, or artistic fields</li> </ul> <p><b>Types of Intellectual Property Rights</b></p> <div style="text-align: center;">  <pre> graph TD     IPR((Intellectual Property Rights))     Patents[Patents]     Design[Design Rights]     Performers[Performers Rights]     Copyright[Copyright]     Trademarks[Trademarks]     Database[Database Rights]      IPR --&gt; Patents     IPR --&gt; Design     IPR --&gt; Performers     IPR --&gt; Copyright     IPR --&gt; Trademarks     Database --&gt; IPR </pre> </div> <p>Intellectual Property Rights can be further classified into the following categories –</p> <ul style="list-style-type: none"> <li>• Copyright</li> <li>• Patent</li> <li>• Patent</li> <li>• Trade Secrets, etc.</li> </ul> <p><b>Advantages of Intellectual Property Rights</b></p> <p>Intellectual property rights are advantageous in the following ways –</p> <ul style="list-style-type: none"> <li>• Provides exclusive rights to the creators or inventors.</li> <li>• Encourages individuals to distribute and share information and data instead of keeping it confidential.</li> </ul>	<p><b>05 M</b></p>	<p><b>05 M</b></p>	

		<ul style="list-style-type: none"> <li>• Provides legal defense and offers the creators the incentive of their work.</li> <li>• Helps in social and financial development.</li> </ul> <p><b>Intellectual Property Rights in India</b></p> <p>To protect the intellectual property rights in the Indian territory, India has defined the formation of constitutional, administrative and jurisdictional outline whether they imply the copyright, patent, trademark, industrial designs, or any other parts of the intellectual property rights.</p> <p>Back in the year 1999, the government passed an important legislation based on international practices to safeguard the intellectual property rights. Let us have a glimpse of the same –</p> <ul style="list-style-type: none"> <li>• The <b>Patents (Amendment) Act, 1999</b>, facilitates the establishment of the mail box system for filing patents. It offers exclusive marketing rights for a time period of five years.</li> <li>• The <b>Trade Marks Bill, 1999</b>, replaced the Trade and Merchandise Marks Act, 1958</li> <li>• The <b>Copyright (Amendment) Act, 1999</b>, was signed by the President of India.</li> <li>• The <i>sui generis</i> legislation was approved and named as the Geographical Indications of Goods (Registration and Protection) Bill, 1999.</li> <li>• The <b>Industrial Designs Bill, 1999</b>, replaced the Designs Act, 1911.</li> <li>• The <b>Patents (Second Amendment) Bill, 1999</b>, for further amending the Patents Act of 1970 in compliance with the TRIPS.</li> </ul>			
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