

Internal Assessment Test 3 – Jan 2022

Sub:	Construction Management & Entrepreneurship				Sub Code:	18CV51	Branch:	Civil
Date:	24/01/2022	Duration:	90 min's	Max Marks:	50	Sem / Sec:	VI A & B	OBE

Answer any FIVE FULL Questions

MARKS CO RBT

1 Explain in detail about the role of Entrepreneurs in Economic Development

[10] CO2 L1

Role of Entrepreneurs in Economic Development

1. Entrepreneurs help create business organization by mobilizing's the savings of public.
2. They provide large-scale employment which reduces the unemployment problem in the country.
3. They promote industrialization in rural areas and reduce regional imbalances.
4. They cause equitable distribution of wealth and income in many cases.
5. They help reduce over-dependence on agriculture by rural people.
6. They help reduce concentration of wealth in few hands.
7. They encourage learning and usage of skills which might otherwise remain unutilized.
8. They increase Forex reserves of the country by exporting their goods and services.
9. They are basically change-agents. They can initiate and bring in vast changes in the structure of business and society.
10. Successful Entrepreneurs become icons and can inspire a whole new breed of Entrepreneurs.

2 Describe the role of SSI in Economic Development

[10] CO2 L2

Role of SSI in Economic Development

Small Scale Industries play a vital Role in the Development of Indian Economy in the following ways:

1. Providing Employment
2. Mobilization of Local Resources
3. Feeding Large Scale Industries
4. Promotion of Exports
5. Equitable Distribution of Wealth
6. Promoting Regional Development
7. Capital Optimization
8. Inspiring New Entrepreneurs

3 What are the steps to start an SSI?

[10] CO3 L1

Steps to Start a SSI

Before any steps are taken to start a Small Scale Industry, the Entrepreneur must first familiarize himself on the following aspects:

1. Priorities and Policies of Government
2. Assistance, subsidies and facilities offered by various States
3. Various Organizations like KIADB, SIDBI, etc., which help budding entrepreneurs.
4. Government Incentives available for starting a new industry.
5. Licensing and Registration Requirements
6. Policies and Regulations concerning imports, exports, laws (legal and industrial), taxes, etc.,

The main steps involved in the establishment of a small scale industry can now be listed as follows:

1. Project/ Product Identification
2. Selecting the form of Ownership
3. Location of the Unit
4. Preparation of Project Report
5. Registration of Project Report
6. Arrangement of Finance – Fixed and Working
7. Procuring Licenses and Clearances

8. Creating Physical Infrastructure
9. Recruitment of Staff
10. Procuring of Raw Materials
11. Power Connection and Water Supply
12. Starting Production
13. Marketing the Product

4 Delineate the various ways an entrepreneur can market products internationally

[10] CO1 L3

Entry into International Business

1. There are various ways an entrepreneur can market products internationally.
2. The method of entry into a market and the mode of operating overseas are dependent on the goals of the entrepreneur and the company's strengths and weaknesses.
3. The modes of entering or engaging in international business can be divided into three categories: exporting, non- equity arrangements and direct foreign investment.

1. Exporting

Selling goods made in one country to another country

Direct Exporting

Selling goods to another country by taking care of the transaction

Indirect Exporting

Selling goods to another country through a person in the entrepreneur's own country

Indirect Exporting involves having a foreign purchaser in the local market or using an export management firm.

2. Non- equity Arrangements

Doing international business through an arrangement that does not involve any investment

3. Licensing

Allowing someone else to use something of the company's

4. Turn-Key Projects

Developing and operationalizing something in a foreign country

5. Management Contracts

A method of doing a specific international task

A final nonequity method the entrepreneur can use in international business is the management contract.

Several entrepreneurs have successfully entered international business by contracting their management techniques and skills.

6. Direct Foreign Investment

The wholly owned foreign subsidiary has been a preferred mode of ownership for entrepreneurs using direct foreign investment for doing business in international markets. Joint ventures and minority and majority equity positions are also methods for making direct foreign investments. The percentage of ownership obtained in the foreign venture by the entrepreneur is related to the amount of money invested, the nature of the industry and the rules of the host government.

7. Minority Interests

Having less than 50 percent ownership position

Japanese companies have been frequent users of the minority equity position in direct foreign investment. A minority interest can provide a firm with a source of raw materials or a relatively captive market for its products. Entrepreneurs have used minority positions to gain a foothold or acquire experience in a market before making a major commitment. When the minority shareholder has something of strong value, the ability to influence the decision-making process is often far in excess amount of ownership.

8. Joint Ventures

Two companies forming a third company

9. Synergy

Two parties having things in common

10. Majority Interest

Having more than 50 percent ownership position

11. Mergers

An entrepreneur can obtain 100 percent ownership to ensure complete control. Many U.S. entrepreneurs desire complete ownership and control in cases of foreign investments. If the entrepreneur has the capital, technology and marketing skills required for successful entry into a market, there may be no reason to share ownership.

There are five basic types of mergers: horizontal, vertical, product extension, market extension and diversified activity.

i. Horizontal Merger

Combination of atleast two firms doing similar businesses at the same market level

ii. Vertical Merger

Combination of atleast two firms at different market levels

iii. Product Extension Merger

Combination of two firms with noncompeting products.

iv. Market Extension Merger

Combination of atleast two firms with similar products in different geographic markets

v. Diversified Activity Merger

Combination of atleast two totally unrelated firms.

5 Difference between micro and macro economics

[10] CO3 L2

BASIS FOR COMPARISON	MICROECONOMICS	MACROECONOMICS
Meaning	The branch of economics that studies the behavior of an individual consumer, firm, family is known as Microeconomics.	The branch of economics that studies the behavior of the whole economy, (both national and international) is known as Macroeconomics.
Deals with	Individual economic variables	Aggregate economic variables
Business Application	Applied to operational or internal issues	Environment and external issues
Scope	Covers various issues like demand, supply, product pricing, factor pricing, production, consumption, economic welfare, etc.	Covers various issues like, national income, general price level, distribution, employment, money etc.
Importance	Helpful in determining the prices of a product along with the prices of factors of production (land, labor, capital, entrepreneur etc.) within the economy.	Maintains stability in the general price level and resolves the major problems of the economy like inflation, deflation, reflation, unemployment and poverty as a whole.
Limitations	It is based on unrealistic assumptions, i.e. In microeconomics it is assumed that there is a full employment in the society which is not at all possible.	It has been analyzed that 'Fallacy of Composition' involves, which sometimes doesn't proves true because it is possible that what is true for aggregate may not be true for individuals too.

6 Elucidate the Basic Economic Problems?

[10] CO2 L2

Basic Problems of an Economy – #1 – What to Produce?

What does a society do when the resources are limited? It decides which goods/service it wants to produce. Further, it also determines the quantity required. For example, should we produce more guns or more butter? Do we opt for capital goods like machines, equipment, etc. or consumer goods like cell phones, etc.? While it sounds elementary, society must decide the type and quantity of every single good/service to be produced.

Basic Problems of an Economy – #2 – How to Produce?

The production of a good is possible by various methods. For example, you can produce cotton cloth using handlooms, power looms or automatic looms. While handlooms require more labour, automatic looms need higher power and capital investment.

Hence, society must choose between the techniques to produce the commodity. Similarly, for all goods and/or services, similar decisions are necessary. Further, the choice depends on the availability of different factors of production and their prices. Usually, a society opts for a technique that optimally utilizes its available resources.

Basic Problems of an Economy – #3 – For whom to Produce?

Think about it – can a society satisfy each and every human wants? Certainly not. Therefore, it has to decide on who gets what share of the total output of goods and services produced. In other words, society decides on the distribution of the goods and services among the members of society.

Basic Problems of an Economy – #4 – What provision should be made for economic growth?

Can a society use all its resources for current consumption? Yes, it can. However, it is not likely to do so. The reason is simple. If a society uses all its resources for current consumption, then its production capacity would never increase. Therefore, the standard of living and the income of a member of the society will remain constant. Subsequently, in the future, the standard of living will decline. Hence, society must decide on the part of the resources that it wants to save for future progress.