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Internal Assessment Test 4– Feb. 2022

Sub:	Technological Innovation Management And Entrepreneurship				Sub Code:	18ES51	Branch:	ECE
Date:	01-02-2022	Duration:	90 Minutes	Max Marks: 50	Sem / Sec:	5/A,B,C,D		OBE

	Answer any FIVE FULL Questions	MARKS	CO	RBT
1	What are the various types of family business? Explain.	[10]	CO3	L1
2	Explain in brief the characteristics of family owned business in India.	[10]	CO3	L1
3	List the fundamental features of business opportunities and Explain.	[10]	CO3	L2
4	Write short notes on Marketing Feasibility, Financial Feasibilities, Political Feasibilities, Social and Legal Feasibilities.	[10]	CO2	L2
5	Discuss about the Angel investors and Debt financing in financing a business.	[10]	CO2	L1
6	Explain the need and scope of the business Plan. Also list the contents of the business plan.	[10]	CO3	L2
7	List differences between PERT and CPM. Also discuss Critical Path Method (CPM) with its advantages and Limitations.	[10]	CO2	L2

Scheme & Solution-IAT-4

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	Answer any FIVE FULL Questions	MARKS	CO	RBT
1	**What are the various types of family business? Explain.** **Solution** Family businesses can be of the following types: Family-owned business: It is a for-profit enterprise owned by members of single extended family. A family-owned and family managed business: It is a for-profit enterprise owned by members of a single extended family. The business also has the active participation of at least one family member in the top management of the company. This enables family members to set policies and objectives and implement them. A family-owned and led business: It is a for-profit enterprise owned by members of a single extended family. The business has the active participation of at least one family member in the top management as well as on the board of directors of the company. This enables family members to set the company's direction, culture, and strategies.	[10]	CO3	L1
2	**Explain in brief the characteristics of family owned business in India.** **Solution** Indian business is overwhelmingly owned and managed by the Bania families of the traditional trading Castes. Characteristics of family-owned businesses in India are: "Importance of family relationship: Family relationship is the most important factor in determining the position a person holds in the business. " Composition of the board of directors: Family members, including those who are neither contributing nor involved in the business, are on the board of directors. "Loyalty: Members of the extended family and relatives have a very strong sense of loyalty to the family and this, by default, translates into loyalty to the business. "Dedication of family members: As the family's fortunes are usually tied to that of the family business, the owning family shows great dedication and	[10]	CO3	L1

	single-mindedness in ensuring the continued survival and success of the business. Male-dominated: Sons and male members are more likely to hold higher positions and succeed as the CEO of the company. The role of women is often that of a facilitator and a mother figure to family members and employees. Dominance of certain trading communities: Some communities have been very successful in business and are synonymous with family-owned businesses in India.			
3	**List the fundamental features of business opportunities and Explain.** **Solution** A business opportunity may be defined as a set of favourable circumstances in which an entrepreneur can exploit a new business idea that has the potential to generate profits. Business opportunities have the following four fundamental features: ¬ They create or add significant value to the customer. ¬ They solve a significant problem by removing pain points or meeting a significant want or need for which someone is willing to pay a premium. ¬ They have a robust market, margin, and money making characteristics that will allow the entrepreneur to estimate and communicate sustainable value to potential stakeholders. ¬ They are a good fit with the founder(s) and management teams at the time and marketplace along With an attractive risk-reward balance.	[10]	CO3	L2
4	**Write short notes on Marketing Feasibility, Financial Feasibilities, Political Feasibilities, Social and Legal Feasibilities.** **Solution** MARKET ANALYSIS This mainly deals with determining the potential market and the market share for the proposed project. Market analysis is concerned with forecasting the demand for the product/service under consideration. It requires finding a variety of information on consumption trends, cost structures, structures of the competition, the elasticity of demand, consumer behaviour, and exports and imports. FINANCIAL ANALYSIS This mainly deals with determining the risk and return for the proposed project. Financial analysis seeks to ascertain whether the proposed project will be financially viable. It requires finding a variety of information on the cost of the project and the means of finance; the cost of capital; the projected profitability; cash 1lows of the project; the break-even point; the level of risk; the investment outlay and worthiness; and projected financial position. ECONOMIC ANALYSIS This is also called social-cost benefit analysis and is mainly concerned with judging a project from the social point of view. The focus is on the social costs and benefits of the proposed project. It deals with determining benefits and costs in terms of shadow prices and other social impacts. Economic analysis requires finding a variety of information on economic costs and benefits measured in terms of the efficiency (shadow)	[10]	CO2	L2

	prices; employment to be generated by the project; impact of the project on the distribution of income in society; and the impact of the project on the level of savings and investment in society. Political Feasibility- A politically feasible project may be referred to as a "politically correct project." Political considerations often dictate direction for a proposed project			
5	**Discuss about the Angel investors and Debt financing in financing a business** **Solution** **Angel Investing** Angel investors are wealthy individuals who invest in entrepreneurial firms, usually during start-up. They provide cash to young investors and take equity in return. Angels are usually entrepreneurs who have successfully built companies, or have spent a part of their professional career in mentoring start-ups. Angels invest their own money and actively mentor the company. Angels usually expect a lower return on investment than venture capital firms. Business angels are high-net-worth individuals, usually successful people or professionals, who provide early stage capital to start up businesses in the form of either debt, equity capital, or both. They are often self-made millionaires and are accustomed to taking calculated risks with their own money. They provide financing for start-up and early-stage firms that are too small to get the attention of VC firms, often too limited in their revenue potential at maturity to interest VC firms, and too risky for bank loans and for most VC appetites. An angel network is a unique concept, which brings together highly successful CEOs and entrepreneurs from India and around the world interested in investing in start-ups and have a potential of creating high-growth companies. The network provides equity finance along with high-quality mentoring. Some of the well-known angel investing networks in India are Chennai Funds, the Indian Angel Network, the Mumbai Angels, and the TiE Entrepreneurship Acceleration Programme. **Debt Financing** Debt financing is basically money that is borrowed to run the business. Debt financing refers to borrowing money from a source outside the company under certain terms and conditions relating to interest rates and the period of return of the principal amount. Most entrepreneurs prefer to start their operations with money borrowed from banks and financial institutions. When a firm raises money for working capital or capital expenditures by selling bonds, bills, or notes to individual and/or institutional investors, this money is called a debt fund. In return for lending the money, the individuals or institutions become creditors and receive a promise that the principal and interest on the debt will be repaid. Term loans and debentures are two important ways of raising long-term debt. *Term Loans* Financial institutions and banks have traditionally been the primary source of long-term debt for public and private firms. Term loans represent a source of debt finance, which is generally repayable in less than ten years. They are typically employed to finance the acquisition of fixed assets. Financial institutions give Indian rupee term loans as well as foreign currency term loans. Term loans represent secured borrowing. Usually assets, which are financed with the term loan, provide the prime security. In order to protect their interests, financial institutions impose restrictive covenants on the borrowers. Financial institutions such as SIDBI, IDBI, and ICICI fund entrepreneurial ventures. *Debentures* For large firms, debentures are a viable alternative to term loans. Debentures are instruments for raising debt finance. Debentures often provide more flexibility than term loans as they offer greater choice with respect to maturity, interest rate, security, repayment, and special features.	[10]	CO2	L1
6	**Explain the need and scope of the business Plan. Also list the contents of the business plan.** **Solution** • A business plan is a roadmap and blueprint of the project. • A business plan is a written document that describes in detail how a business is going to achieve its goals.	[10]	CO3	L2

- It is a document that explains a business opportunity, identifies the market to be served, and provides details about how the entrepreneurial organization plans to pursue it.
- Ideally, the business plan describes the unique qualifications that the management team brings to the effort, explains the resources required for success, and provides a forecast of results over a reasonable time horizon.
- A business plan is based on estimates

The reasons for preparing a business plan are given below:

- Entrepreneurs reap benefits from the planning activity itself
- A business plan is used to get finance from banks or to get equity funding from angel investors
- or venture capitalists.
- It can also be used to attract business partners and key employees or to make business aliances.
- If the business plan is prepared within a large organization, then it enables the board of directors to make capital investment decisions.
- The act of writing the plan will force the entrepreneur and his team to think through all the key
- elements of the business.
- The plan provides a basis for measuring actual performance against expected performance.
- The plan's financial projections can be used as a budget. Actual results that fall short of planned
- results will prompt the entrepreneur to investigate and take corrective action.

The plan acts as a vehicle for communicating to others what the business is trying to accomplish

7 **List differences between PERT and CPM. Also discuss Critical Path Method (CPM) with its advantages and Limitations.** [10] CO2 L2

Solution

DIFFERENCE BETWEEN PERT AND CPM SL.NO PERT CPM

SL.NO	PERT	CPM
1	*Its origin is military*	*its origin is industry*
2	*Event oriented approach*	*Activity oriented approach*
3	*Allows uncertainty*	*Does not allow uncertainty*
4	*It has three time estimates*	*Single time estimates*
5	*Time based*	*Cost based*
6	*Probabilistic model*	*Deterministic model*
7	*No demarcation between critical and non-critical activities*	*Marks critical activities*
8	*It averages time*	*Does not average time*
9	*Suitable where high precision is required*	*Suitable where reasonable precision is required*

CRITICAL PATH METHOD (CPM)

CPM was first developed by DuPont of USA in 1956 for doing periodic overhauling and maintenance of chemical plant. The duration of each activity in CPM is deterministic. The CPM is generally used to find the optimum project cost and time. The optimum project cost is the minimum cost at which the project can be completed. This can be determined by using the concept of crashing of activities. Crashing of activity is nothing but reducing the time required to complete an activity, by allocations additional resources, which adds cost. CPM is also used to find minimum time at which a project can be completed, irrespective of cost, which may be necessary under crisis situations.

Advantages of CPM

- It helps in ascertaining the time schedule of activities having sequential relationship.
- It makes control easy for the management.
- It defines most critical element of the project.
- It gives detailed and better planning

Limitations of CPM

- *It operates on assumption that there is a precise known time that each activity in the project will take and this may not be true in real practice.*
- *Its estimates are not based on any statistical analysis.*
- *It is not a dynamic controlling technique.*