

Answer Key-IAT- III – November 2018

Sub:	Management & Entrepreneurship for IT Industry				Sub Code:	15CS51	Branch:	CSE		
Date:	19-11-2018	Duration:	90 min's	Max Marks:	50	Sem / Sec:	5 th /A,B,C	OBE		
<u>Answer any FIVE FULL Questions</u>								MARKS	CO	RBT
1	Briefly Discuss the characteristics of Small Scale Industry.							[05]	CO3	L2
(a)	Answer: Characteristics Of SSI: Small Scale industries have special features which distinguish them from large-scale industries. The different characteristics of SSI are 1. Its a One-man-show at most SSI's 2. Capital investment is low. 3. Most SSI's employ less than 10 workers. 4. They can also be found in rural and semi-urban areas 5. They are generally involved in the production of light consumer goods, specific industrial components, simple-to-process food items. 6. Small scale units generally use local resources although the market for its products can be far and wide 7. SSI's are generally labour intensive. 8. Organization structure of an SSI would be very simple. 9. SSI's have a tendency of folding up very soon. 10. Human resources, especially women and children, are exploited. 11. The market share of an SSI is usually very small. Scaling becomes a problem. 12. Division and specialization of labour is low.									
(b)	Discuss the role of in Small Scale Industry economic development. Answer: 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: Since SSI's are more labour intensive and less sophisticated technologically, they provide employment on large scale. Since India has a large number of semi-skilled and unskilled labour, this helps the cause of development. In fact, SSI accounts for 75% of total employment in the industrial sector and about 20 million people are currently employed in SSI in India.							[05]	CO3	L2

2. **Mobilization of local resources:** SSI uses local resources with respect to raw materials, labour, talent, savings etc., thus improving local economy, SSI also helps in promotion of traditional family skills and handicrafts and therefore facilitates the identification and growth of local entrepreneurs.
3. **Feeding large scale industries:** Small scale industries complement the large scale industries by providing them parts, components, sub-assemblies, accessories, services etc.
4. **Promotion of exports:** SSIs help improve India's balance of payments in two ways:
 - First, they do not require importing of sophisticated equipment thus saving foreign exchange.
 - Second, they export their goods and earn foreign exchange. In recent years, there has been a substantial increase in exports from Indian SSI's which accounts for around 25% of India's total exports.
5. **Equitable distribution of wealth:** SSI's help an equitable distribution of India's income and wealth by creating more small business than large business.
6. **Promoting Regional Development:** Since SSI's can be set up in rural and semi-urban areas of the country, they help promoting a balanced regional development. This also reduces congestion in cities, migration of villagers to cities, pollution in cities etc.
7. **Capital Optimization:** Small Scale Units requires less capital per unit of output produced. They also provide quick return on investments due to shorter gestation period (time taken to start an industry and produce goods). Both these factors help capital optimization and profitability.
8. **Inspiring new entrepreneurs:** Existing and successful small scale industries inspire many more entrepreneurs to start on their own which improves quality and competition which in turn helps the cause of Indian economy.

2 Define Small Scale Industry.

(a) **Answer:**

Definition of SSI

The Indian Industrial Law defines a Small-Scale industrial undertaking with effect from 21.12.1999 as follows:

“An industrial undertaking in which the investment in fixed assets, plant and machinery does not cross Rs.10 million is treated as a SSI unit. This is irrespective of whether the assets are held on ownership terms, on lease or on hire purchase.”

[02]

CO1	L1
-----	----

Briefly Discuss the various steps to start a Small Scale Industry.

[08]

CO3 L2

(b) **Answer:**

STEPS TO START A SMALL SCALE INDUSTRY

Before any steps are taken to start a small scale industry, the entrepreneur must familiarize himself on the following aspects:

- a) Priorities and policies of government.
- b) Assistance, subsidies and facilities offered by various States.
- c) Various organizations like KIADB, SIDBI etc., which help budding entrepreneurs.
- d) Government Incentives available for starting a new industry.
- e) Licencing and registration requirements.
- f) 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 raw materials
11. Power connection and water supply
12. Starting production
13. Marketing the production

3 Explain various Industrial Policy Resolutions (IPRs).

[05]

CO3 L4

(a)

Answer:

The Government of India has, over decades, encouraged the small sector

because of its numerous advantages. The government's objectives and intention towards industries in general and small scale industries in particular have been made clear through Industrial Policy Resolutions(IPR). These resolutions were announced in 1948, 1956, 1977, 1980, 1990 and 1991. These were followed by some more policy resolutions in 1999 and 2003. Let us now see how government policy towards SSI has been embodied in these IPRs and other resolutions.

IPR, 1948: Fresh after independence and under the influence of Mahatma Gandhi, the Government understood the need to protect cottage industries and nurture them. The emphasis in IPR, 1948 was to solve the acute problems faced by small producers with respect to raw material, skilled labour, capital, transportation, marketing etc.

IPR, 1956: The IPR of 1956 basically aimed at “Protection Plus Development”. In a way, this resolution initiated the modern SSI in India. For the first time, several products(numbering 128) were reserved for exclusive production in small scale sector. Five year planning had already started(in 1951) and IPR of 1956 aimed at integrating the efforts of small scale sector with that of large scale sector.

IPR, 1977: The IPR of 1977 aimed at “Protection Plus Development Plus Promotion” of small sector. In fact, this IPR for the first time classified all small scale business into 3 categories and defined them for promotion purposes.

- (i) Cottage and household industries
- (ii) Tiny sector
- (iii) Small scale industry

Then IPR of 1977 also increased the number of reserved items to 504 for exclusive production in small sector.

IPR, 1980: The IPR, 1980 resolved the following with respect to small sector

- Increase in investment ceilings from Rs.1 lakh to Rs.2 lakhs in case of tiny units, from Rs.10 lakhs to Rs.20 lakhs in case of small scale units and from Rs.15 lakhs to Rs.25 lakhs in case of ancillaries.

- Promotion of village and rural industries to improve rural economy as well as to be compatible with the environment.

IPR, 1990: The resolutions made during IPR, 1990 were as follows:

- The investment ceiling for small scale industries was raised from Rs.35 lakhs to Rs.60 lakhs.
- Correspondingly for ancillary units it was raised from Rs.45 lakhs to Rs.75 lakhs.
- Investment ceiling for tiny units was raised from Rs.2 lakhs to Rs.5 lakhs provided the unit was
 - located in a area having population of less than 50000 as per 1981 census.
 - As many as 836 items were reserved for exclusive manufacture in small sector.
 - To help technology upgradation in SSI, the government started Small Industries Development Organization(SIDO)
 - Small Industries Development Bank of India(SIDBI) was started to extend credit facilities for SSI's.
 - Special cells were created in SIDO to encourage the youth as well as woman entrepreneurs.

IPR, 1991: With the opening of Indian economy under Narasimha Rao in 1991, the government came out with a new IPR called 'The New Small Enterprise Policy 1991'. The salient features and effects of this policy were:

- (i) It aimed at increasing the vitality and growth of the small sectors to improve Indian economy.
- (ii) Efforts were made to reduce licenses required to start a SSI.
- (iii) Efforts were also made to de-regulate de-bureaucratize with a view to remove obstacles.
- (iv) Tiny industries were allowed to come up anywhere in the country.
- (v) Partnership act was amended to suit SSI.
- (vi) Better market promotion of SSI products was taken in.
- (vii) An Export development centre was

opened in SIDO.

Government Policy Resolution in 1999

- (i) Government-took steps to improve investment limits, facilitate foreign participation, promote exports, announced incentives for quality improvements, and so on.
- (ii) A new Union Ministry of small-scale industries was created to focus better attention on SSI.
- (iii) The turnover limit for SSI was enhanced from 4 crores to 5 crores.
- (iv) A national program to boost rural industrialization was announced, with a target of 100 rural clusters every year.

Government Policy Resolution in 2003

- (i) 75 more items were de-reserved from SSI sectors.
- (ii) Lending rates to open SSI was reduced by 2%
- (iii) More SIDBI branches were opened.
- (iv) All India census of SSI was carried out.

(b) Briefly Discuss the functions of “Small Industries Development Bank Of India” (SIDBI) [05]

Answer:

SIDBI

Meaning; SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA . It was established in 1990 under Act of Indian Parliament as a principal financial institution. It is a subsidiary of IDBI. Its head office is in Lucknow. SIDBI is among the top 25 development banks in the world.

Nature of support: Financial services and other support services

Objectives:

- (i) To promote, finance and develop small scale sector in India.
- (ii) To co-ordinate the functions of other institutes engaged in similar activities
- (iii) To finance industrial infrastructure projects.

Functions:

- To provide finance assistance to
 - new projects
 - expansion/diversification projects

CO3 L2

- modernization projects

- To initiate steps for technological upgradation and modernization of existing units.
- To promote rural industrialization
- To provide channels for marketing SSI products in India and abroad.
- To foster Human Resource Development to suit the SSI sector needs

4 Discuss the meaning, objectives & functions District Industries Centre (DIC).
(a) **Answer:**

[10]

CO3

L2

DIC- A Single Window Agency

Meaning: DISTRICT INDUSTRIES CENTRE. Launched in 1978 in all districts of each state. There are about 400 DIC's in India.

Nature of support: Information and Consultancy Services. Industrial Inputs.

Objectives:

(i) To effectively promote cottage and small-scale industries in rural areas and small towns.

(ii) To act as a Single Window Agency to help the entrepreneur with all the information under one roof.

(iii) To serve as an integrated administrative frame work at the district level for industrial development.

Functions:

(i) **Surveys:** To carry out surveys to assess the potential of a district with respect to industrial development taking into account availability of raw material, manpower, infrastructure, demand for a product etc. This survey provides a basis for advising budding entrepreneurs.

(ii) **Action Plan:** To prepare an action plan for the industrial development of the district.

(iii) **Appraisal:** To appraise various investment proposals received from entrepreneurs.

(iv) **Guidance:** To guide entrepreneurs in selecting appropriate machinery and equipment.

(v) **Marketing:** To assist entrepreneurs in marketing their products and assess the possibility of export promotion.

(vi) **R&D:** To link R&D institutes with entrepreneurial activities for product

innovation.

(vii) **Training:** To conduct artisan training programs.

5 Explain the scope of “Small Scale Industry”.

[05]

CO1 L4

(a) **Answer:**

SCOPE OF SMALL SCALE INDUSTRY

'Scope of SSI' generally means the range of activities and the type of products that come under the

SSI sectors. Some of the important activities that SSI's are normally involved in are:

1. Manufacturing activities
2. Construction activities
3. Public utilities
4. Service/Repairing activities
5. Financial activities
6. Retailing activities
7. Wholesale business

In India, the Small Scale Sector is provided by the Government, by the way of reservation. This means that the Indian Government has made a list of 114 items which are reserved for exclusive production in small sector. No large scale industry may produce any of these items reserved in favour of SSI's. The main objective of this reservation policy is to insulate the small sector from unequal competition with large industrial establishments. Although this policy has some negative effects, by and large it has helped SSI.

(b) Define Controlling and discuss The essentials of a sound control system.

[05]

CO1 L1
L2

(b) **Answer:**

CONTROLLING

Controlling is the last function of management. The main objective of control is to identify the variations between the set standards and actual performance and then to take necessary steps to correct it and prevent such deviations in future.

“Control consists of verifying whether everything occurs in conformity with the plans adopted, the instructions issued and principles established. It has for its object to point out weaknesses and errors in order to rectify them and prevent recurrences”-Henri Fayol.

Essentials of A Sound Control System

The essentials of a sound control system are as follows:

(i) **Feedback:** Feedback is the process of adjusting future actions based

upon the information regarding past performance. Feedback makes the control system very effective.

(ii) Objective: Control system should be objective and understandable. Objective controls specify the expected results in clear and definite terms and leave little scope for argument by the employees. They avoid aristocracy.

(iii) Suitability: The control system should be appropriate to the nature and needs of the activity. The controls used in production are different than the one used in finance and personnel. Hence every organization should evolve suitable control system that serves specific needs.

(iv) Prompt reporting: the control system should provide for prompt and timely reporting without any delay. Delayed reporting may lead to ineffective control actions. Prompt reporting will help the managers to take immediate corrective action before the problem occurs.

(v) Forward looking: Effective control system must focus on how the future actions will conform to plans.

(vi) Flexible: The standards will be altered from time to time. Hence the control system should be flexible in accordance with the modified standards.

(vii) Economical: The benefits derived from the control system should be more than the cost involved in implementing it.

(viii) Simple: the control system should be simple to understand and implement.

(ix) Effective and operational: A control system should not only detect deviations but should also provide solutions to the problems that cause deviations. It must disclose where and how the failures are occurring, who is causing them and how they should be dealt with

(x) Motivation: A good control system should motivate people to achieve higher performance. The control is to be so designed that it induces positive reactions from employees. The purpose of control is to prevent and not to punish.

6 Define PERT & CPM and Differentiate between PERT & CPM.

[10]

CO3 L1, L2

(a) **Answer:**

PERT and CPM are the two network based project management techniques, which exhibit the flow and sequence of the activities and events. **Program (Project) Management and Review Technique (PERT)** is appropriate for the projects where time needed to complete different activities are not known. On the other hand, **Critical Path Method** or **CPM**, is apt for the projects which are recurring in nature.

The two scheduling methods, uses common approach for designing the network and for ascertain its critical path. They are used in the successful completion of a project and hence used in conjunction with each other. Nevertheless, the truth is that CPM is different from PERT in a way that the former concentrates on time while the latter stresses on time-cost trade-off. In the same manner, there are many differences between PERT and CPM, which we are going to discuss in this article

Comparison Chart

BASIS FOR COMPARISON	PERT	CPM
Meaning	PERT is a project management technique, used to manage uncertain activities of a project.	CPM is a statistical technique project management that manages well defined activities of a project.
What is it?	A technique of planning and control of time.	A method to control cost and time.
Orientation	Event-oriented	Activity-oriented
Evolution	Evolved as Research & Development project	Evolved as Construction project
Model	Probabilistic Model	Deterministic Model
Focuses on	Time	Time-cost trade-off
Estimates	Three time estimates	One time estimate
Appropriate for	High precision time estimate	Reasonable time estimate
Management of	Unpredictable Activities	Predictable activities

Nature of jobs	Non-repetitive nature	Repetitive nature
Critical and Non-critical activities	No differentiation	Differentiated
Suitable for	Research and Development Project	Non-research projects like construction, ship building
Crashing concept	Not Applicable	Applicable

--	--

Course Outcomes		Modules covered	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO12
CO1	Define management, organization, entrepreneur, planning, staffing, ERP and outline their importance in entrepreneurship.	1,2,3									5b			
CO2	Utilize the resources available effectively through ERP	3,4												
CO3	Make use of IPRs and institutional support in entrepreneurship	4,5							1b		5a	3a, 3b, 4a, 6a	1a, 2a,	2b