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Internal Assesment Test - II

Sub:	<b>Management and Entrepreneurship</b>					Code:	10AL51
Date:	02 / 11 / 2016	Duration:	90 mins	Max Marks:	50	Sem:	5
						Branch:	ECE 'D'

Answer Any FIVE FULL Questions

	Marks	OBE	
		CO	RBT
1(a) Explain the role played by entrepreneurs in the economic development of a nation <b>in the Indian context</b>	[05]	CO4	L5
(b) What are some of the barriers faced by entrepreneurs?	[05]	CO4	L4
2 Explain the concept of entrepreneurship. Identify some of the characteristics of entrepreneurship.	[10]	C04	L1
3(a) Differentiate between PERT and CPM	[05]	C06	L2
(b) Identify and explain the sources of project error	[05]	CO6	L4
4 Describe the steps to be followed for project appraisal	[10]	CO6	L5
5 Explain the various organizational principles	[10]	C03	L4
6 (a) Define span of control. Identify the factors that determine an effective span of control	[05]	C03	L2
(b) Write a brief note on centralization and decentralization	[05]	C03	L4
7 (a) Briefly explain <b>any two</b> of the following: i. Market feasibility study ii. Financial feasibility study iii. Technical feasibility study iv. Social feasibility study	[10]	CO6	L5
8 Identify and explain the various sources of recruitment for organizations	[10]	C03	L4

Course Outcomes		PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO10	PO11	PO12
CO1:	Identify the various functional areas of management and their associated functions	0	1	1	0	0	1	1	0	0	2	1	0
CO2:	Analyse the various management principles and its application to various real life situations	1	0	1	0	1	0	0	2	2	1	3	1
CO3:	Design and create robust organizational structures capable of withstanding adverse conditions	0	2	2	0	1	0	0	0	3	2	3	3
CO4:	Estimate the impact of entrepreneurship and importance of entrepreneurs in creating jobs in developing economies	0	2	2	0	2	1	2	1	2	2	2	2
CO5:	Assess the significance of Small Scale Industries towards the economic development of nations	0	2	2	0	2	2	2	1	1	3	2	2
CO6:	Illustrate the significance of proper planning of projects with respect to deadlines for successful execution of the same	1	2	2	0	2	1	1	2	3	2	2	3

KEYWORDS

Cognitive level	
L1	List, define, tell, describe, identify, show, label, collect, examine, tabulate, quote, name, who, when, where, etc.
L2	summarize, describe, interpret, contrast, predict, associate, distinguish, estimate, differentiate, discuss, extend
L3	Apply, demonstrate, calculate, complete, illustrate, show, solve, examine, modify, relate, change, classify, experiment, discover.
L4	Analyze, separate, order, explain, connect, classify, arrange, divide, compare, select, explain, infer.
L5	Assess, decide, rank, grade, test, measure, recommend, convince, select, judge, explain, discriminate, support, conclude, compare, summarize.

PO1 - Engineering knowledge; PO2 - Problem analysis; PO3 - Design/development of solutions; PO4 - Conduct investigations of complex problems; PO5 - Modern tool usage; PO6 - The Engineer and society; PO7 - Environment and sustainability; PO8 - Ethics; PO9 - Individual and team work; PO10 - Communication; PO11 - Project management and finance; PO12 - Life-long learning

1.
  - a. Before the liberalization era, Indian businesses were run on a system of permits and licenses. This era, known as the “**license raj**” severely limited the opportunities that an entrepreneur could exploit to his advantage, as well as limiting the economic growth of the nation [01M]

Restrictions were also placed on many multinational firms operating in India, which led to many such firms shifting operations outside, further limiting the economic progress. The protection offered to Indian firms by the government limited their growth, as they were unable to compete in the international market [01M]

In such an environment, entrepreneurship and entrepreneurial activities were generally discouraged; flow of capital was voluntarily restricted and people were risk-averse, preferring to be employment seekers, rather than employment generators [01M]

With the advent of liberalization, Indian businesses began to be more professionally managed. Introduction of professionalism in businesses that were predominantly family run led to a drastic improvement in their quality standards as well, enabling these organizations to be competitive on a global scale. [01M]

Today, the successive governments have introduced many policies favoring the growth and encouraging entrepreneurial activities. Many sectors in the start-up segment which were previously reserved for such organizations are now encouraged to compete on a global scale, with the government removing protections which supported these industries [01M]

- b. Some of the barriers faced by entrepreneurs are:
    - i. Lack of capital
    - ii. Lack of technical knowledge [01M]
    - iii. Economic business cycle
    - iv. Unavailability of raw materials and resources [01M]
    - v. Globalization and entry of foreign goods
    - vi. Obsolescence of technology or idea [01M]
    - vii. Government regulations
    - viii. Unstable and unpredictable markets [01M]
    - ix. Risk [01M]
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2. Entrepreneurship is the process undertaken by an entrepreneur to augment his business interests. Entrepreneurship has been defined by some authors as: **“Entrepreneurship is the indivisible process flourishes when the interlinked dimensions of individual psychological entrepreneurship, entrepreneurship traits, social encouragement, business opportunities, government policies, availability of resources and opportunities converge towards the common good, development of society and economy”**

- b) Entrepreneurship lies in the ability to make use of minimum resources to achieve maximum advantage. In today’s context, it is the product of teamwork, ability to create, build and work as a team.
- c) Entrepreneurship is the process of identifying opportunities in the market, arranging for the resources required to pursue these opportunities and exploit the opportunities towards the attainment of goals.
- d) Higgins has defined entrepreneurship as: **“The function of foreseeing investment and production opportunities, organizing an enterprise to undertake a new production process, raising capital, hiring labor, arranging the supply of raw materials, finding site, introducing new technique, discovering new source of raw materials and selecting managers for day to day operations”**
- e) Cole has defined entrepreneurship as **“The purposeful activity of an individual or a group of associated individuals undertaken to initiate, maintain, or organize profit by production or distributing of economic goods and services.”** [05M]

The concept of entrepreneurship is complex and has multidimensional characteristics. Some of the commonly accepted characteristics are:

- i. Innovation:** Innovativeness is the hallmark of an entrepreneur. The entrepreneur, by his innovative spirit, introduces new products, new methods of production or a new source of raw materials in the market. This is a dynamic process and creates conditions for growth in the economy.
- ii. Risk taking:** Since the entrepreneur starts a new venture, the chances of success is not guaranteed. Risk is also an inbuilt feature of any business; to cater to the uncertainty of the future, the entrepreneur takes a very big risk when he ventures to bring in innovation in the market place.

- iii. **Skilful management:** The entrepreneur must be skilled in integrating the various functional areas of management such as planning, organizing, directing, and controlling.
  - iv. **Organization:** The entrepreneur brings together various facilities for efficient, economic and effective use.
  - v. **Decision making:** The entrepreneur is responsible for decision making at all levels of the organization. Taking decisions is a routine task for the entrepreneur.
  - vi. **Making the enterprise a success:** Entrepreneurship is primarily an economic activity; it involves satisfying customer needs through production and distribution of goods/services, leading to the success of the enterprise.
- [05M]
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3.

a. The differences between PERT and CPM are as follows:

<b>PERT</b>	<b>CPM</b>
Origin is military	Origin is industry
Event oriented approach	Activity oriented approach
Allows uncertainty	Does not allow uncertainty
It has three time estimates	Single time estimates
Time based	Cost based
Probabilistic model	Deterministic model
No demarcation of critical and noncritical activities	Critical activities are clearly identified and separated from noncritical activities
Averages time	Does not average time
Suitable where high precision is required in time estimates	Suitable where requirement of precision is reasonable

**1 Mark for two points.**

b. Some of the sources of project error are as follows:  
**Product Selection:** Entrepreneurs make mistakes in selecting the product for their enterprise. Selecting a product without considering other factors such as demand, market need, competitors, availability of resources like raw materials, etc. has an adverse impact on the success of the project.

ii. **Capacity utilization estimates:** Entrepreneurs tend to make unrealistic estimates pertaining to the capacity. These estimates are often made without considering the present performance, prevailing market conditions, technical snags, etc. [1.5M]

iii. **Market Study:** Production studies are carried out to estimate sales. Entrepreneurs sometimes don't conduct effective market studies for their product, and work on the assumption that market conditions will always remain favourable, leading to failures.

iv. **Location Selection:** Two types of errors made by entrepreneurs in selecting a location. The first kind of error is when the entrepreneur is attracted by the concessions offered by the government to set up plants. This may lead to problems such as labor issues, availability of raw materials, etc. The second kind of error is when the entrepreneur chooses a location for his personal reasons. [03M]

v. **Technology selection:** Selecting the wrong technology leads to wrong products/products with inferior quality. [04M]

vi. **Selection of ownership form:** Many organizations fail because the structure of ownership selected is not suitable. [05M]

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4. Project appraisal involves assessing a project in terms of economic, social and financial feasibility.

b) It is important to understand the interrelationship between the various aspects of a project to carry out a multidimensional analysis.

c) To fund any project, financial agencies carry out a project appraisal to determine the creditworthiness.

d) Any project appraisal is carried out under the following contexts:

i. Economic Analysis

ii. Financial Analysis

iii. Market Analysis

iv. Technical feasibility

v. Managerial competence

[01M]

### 1. **ECONOMIC ANALYSIS:**

a. Economic analysis includes requirements for raw materials, capacity utilization, estimated sales, expenses & profits.

b. The sales required to attain the target profits have to be calculated, and demand must be carefully identified, because it is the deciding factor of project feasibility.

c. The government policies in this regard must be considered. [02M]

## **2. FINANCIAL ANALYSIS:**

a. Finance facilitates an entrepreneur to bring together the various factors of production.

b. Financial assessment includes assessment of financial requirements like fixed & working capital, land and building, plants, machinery and equipment.

c. Fixed capital includes all items related to assets, such as architect fee, expenses on utilities (water, electricity, etc.), capital investment on machinery/equipment, etc.

d. Working capital includes the requirement of funds for day to day operations.

e. Break even analysis is made to assess at what level of production/sales would result in recovering initial investment, and continue operations on a no-profit/no-loss basis.

[02M]

## **3. MARKET ANALYSIS:**

a. Before commencing production, it is important to identify the demand for the product. Anticipating the market demand for a product is an important aspect in any business.

b. Demand forecasting is one of the most commonly used methods to estimate market demand.

c. Some of the other techniques used to estimate the demand are:

i. Opinion Polls

ii. Market surveys

iii. Product life cycle (PLC) analysis

iv. Desk survey

v. Dealer opinion

[02M]

## **4. TECHNICAL FEASIBILITY:**

a. Technical feasibility study involves assessing the adequacy of the proposed plant and equipment.

b. The entrepreneur must ensure that the technology/know-how is readily available.

[01M]

## 5. MANAGERIAL COMPETENCE:

- a. Managerial competence plays a crucial role in making an enterprise successful.
  - b. In the absence of managerial competence, a technically and financially feasible project may fail; conversely, a bad project may become successful if it is driven by individuals with good managerial ability.
  - c. Study of managerial competence is also important while conducting a project appraisal. [02M]
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6.

- a. Span of management refers to the reach, or the number of subordinates that a manager can effectively supervise. Organizational spans may be wide or narrow; a narrow span results in many levels of management, whereas a wide span results in fewer organizational levels. [01M]

Diagram of organization with a narrow span [01M]

Diagram of organization with a wide span [01M]

Advantages and Disadvantages of each [01\*2=02M]

- b. Organizational authority is the degree of discretion conferred on individuals to enable them to take decisions. [01M]

Centralization refers to the degree to which this authority is given to individuals to take decisions, implement policies and run the organization. Decentralization on the other hand refers to the dispersal of authority and decision making in an organization. [02M]

Decentralization is a fundamental aspect of delegation. The authority and responsibility for decision making cannot be concentrated in the hands of a single individual or a small group in any organization. [02M]

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7. Feasibility studies:

### TECHNICAL FEASIBILITY STUDY:

- i. **Location of the project:** The site chosen for the project is very important. It may be located in an urban, rural or semi urban area
- ii. **Construction of factory, building and size:** Construction details, type of building and its size, are to be analyzed for the project. [1.5M]



- iii. **Availability of raw materials:** Availability of raw materials, sources of supply and alternative sources of supply, quality specification and cost, etc. need to be studied.
- iv. **Selection of machinery:** Choosing the machinery required to produce the required product is identified. The specifications in terms of cost, sources of supply, technology, etc. are studied. [1.5M]
- v. **Utilities:** Utility requirements such as water, electricity, gas and fuel are to be studied.
- vi. **Production capacity:** Establishing the production capacity and determining the utilization are analyzed. [0.4M]
- vii. **Staff requirement:** Analysis of the requirement of workers, technical staff, engineers etc. is to be made.
- viii. **Technical viability:** The technical viability of the opportunity is to be studied [0.5M]

#### **FINANCIAL FEASIBILITY STUDY**

- i. **Total capital cost of project:** The total cost of the project, including the fixed capital, working capital and interest factor needs to be determined.
- ii. **Sources of capital:** Sources of capital need to be identified. If the entrepreneur is borrowing money, the interest to be paid back must be factored in the calculations.
- iii. **Subsidiary sources for additional finance:** Subsidiary sources of finance need to be identified and studied. [1.5M]
- iv. **Financing for future development of business:** The working capital required for future expansion needs to be identified. Funds to run the business for at least 3 months are to be estimated.
- v. **Break even analysis (BEA):** BEA needs to be carried out to determine the production/sales required to recover the initial investment as well as to run the enterprise on a no-profit/no-loss basis.
- vi. **Estimation of cash and fund flow:** The flow of cash/funds must be identified and studied in detail. [1.5M]
- vii. **Return on investment (ROI):** The ROI needs to be calculated to determine the returns that the shareholders/investors can expect on their investment in the enterprise.

- viii. **Proposed balance sheet:** A proposed balance sheet containing the details of the assets, liabilities, profits, taxes paid etc. needs to be provided. [04M]
- ix. **Cost of labor & technology:** The amount spent on paying salaries to the employees is to be estimated. Investment in technology to carry out production needs to be done [05M]

#### **MARKET FEASIBILITY STUDY:**

- i. **Nature of market:** Nature of market in terms of monopolistic or perfect competition is to be studied. [01M]
- ii. **Cost of production:** It is essential to study and control the cost of production. Production costs incurred determine the selling price. [01M]
- iii. **Selling price and profit:** Selling price is a function of the production costs incurred. In pricing, sensitive goods, fixing the selling price is a critical factor in deciding success/failure of the product. [01M]
- iv. **Demand:** Market demand and product demand is identified and studied to help decide facility planning.
- v. **Market share:** Estimated market share is determined, and compared with the market share of the market leader and other competitors. [01M]
- vi. **Target market:** Target markets are identified and market segmentation is done to study the market share. [01M]

#### **SOCIAL FEASIBILITY STUDY:**

- i. **Location:** The site chosen for the project should be such that it does not cause any disturbance to the surroundings.
- ii. **Social problems:** Running the enterprise must not lead to any kind of social disturbances.
- iii. **Pollution Control:** The pollution emitted must be within norms, and care must be taken to ensure that it does not violate the set norms. [05M]

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**8.** Recruitment is an important step in the employment of any workforce. Haphazard recruitment processes increase the element of uncertainty in business, and might lead to inefficiency.

The various sources of recruitment are:

#### **1. References:**

- i. References are candidates introduced to the company through existing employees.
- ii. This is a good source of recruitment since the background of the candidates can easily be verified.

**2. Consultants:**

- i. Consultants are often employed by organizations to search for people to fill up organizational vacancies.
- ii. In such a scenario, the consultant must clearly understand his client's requirements and expectations.

**3. Casual callers:**

- i. Candidates send their profiles to organizations out of their own interest.
- ii. The personnel department keeps track of such applications and invites candidates whom they find suitable for their requirement.

**4. Campus recruitment:**

- i. Educational institutes are involved in providing professional training to their students.
- ii. Organizations use these institutes to find the necessary workforce to fill their vacancies.

**5. Advertisements:**

- i. In case of vacancies, organizations advertise to fill up such vacancies
  - ii. These advertisements attract many applications from which organizations can fill up vacancies.
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