

Internal Assessment Test - II

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

Answer Any FIVE FULL Questions

		Marks	OBE	
			CO	RBT
1	Identify and explain some of the characteristics of entrepreneurship	[10]	CO4	L1
2 (a)	Discuss the role played by entrepreneurs in the economic development of a nation, <b>with respect to the Indian context</b>	[05]	CO4	L2
(b)	Identify some of the barriers faced by entrepreneurs	[05]	CO4	L1
3	Classify and explain the various types of entrepreneurs	[10]	CO4	L4
4 (a)	Explain <b>any two kinds</b> of organizational structures. Discuss the advantages and disadvantages of both.	[10]	CO3	L3
5	Explain the various principles of organization	[10]	CO3	L5
6	Explain the various sources of recruitment for an organization	[10]	CO3	L4
7 (a)	Differentiate between PERT and CPM	[05]	CO6	L2
(b)	Discuss the need and significance of project reports.	[05]	CO6	L2
8	Explain the following: i. Technical feasibility study ii. Financial feasibility study	[10]	CO6	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

Cognitive level	KEYWORDS
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. 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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- 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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3. Entrepreneurs are classified according to the type of business, use of professional skill, motivation, growth and stages of development.

a. **ACCORDING TO THE TYPE OF BUSINESS:**

- i. **Business entrepreneur:** Individuals who conceive a new idea for product/service leading to new business. Business entrepreneurs deal with product development, marketing and sales.
- ii. **Trading entrepreneur:** A trading entrepreneur is concerned with trading rather than manufacturing or actual product development. Trading entrepreneurs buy directly from the manufacturers, and sell it to the customer directly or through a retailer.
- iii. **Industrial entrepreneur:** An industrial entrepreneur sets up his own production unit. He identifies the unstated needs of the society and develops products/services tailored to satisfy those needs.
- iv. **Corporate entrepreneur:** Corporate entrepreneurs plan, develop and manage a corporate body.
- v. **Agricultural entrepreneurs:** Agricultural entrepreneurs are concerned with agricultural activities. They make use of the latest available technology to improve the yield productivity [1.5M]

b. **ACCORDING TO MOTIVATION:**

- i. **Pure Entrepreneur:** A pure entrepreneur is a person who gets motivated by psychological and not by economic rewards. He is status conscious, and wants recognition.
- ii. **Induced Entrepreneur:** An induced entrepreneur is attracted by the various subsidies, incentives or facilities offered. Most of the entrepreneurs who enter into a business are induced entrepreneurs since they are tempted by various kinds of financial, technical or managerial facilities provided by the government to encourage entrepreneurship. [01M]

**c. ACCORDING TO USE OF TECHNOLOGY:**

- i. **Technical entrepreneur:** Technical entrepreneurs are oriented towards manufacturing, rather than marketing or selling. The technical entrepreneur develops and improves the technical aspect of the product.
- ii. **Non-technical entrepreneur:** Non-technical entrepreneurs are more concerned with the development of alternative marketing and distribution strategies to promote his business. He aims to improve the market share of the product he is dealing with, rather than focus on improving/changing product techniques.
- iii. **Professional entrepreneur:** A professional entrepreneur is interested in floating a business but not in managing or operating it; Once the business is established, the entrepreneur sells it off and floats a new business. [01M]

**d. ACCORDING TO THE STAGES OF DEVELOPMENT:**

- i. **First generation entrepreneur:** Entrepreneurs who do not possess any entrepreneurial background. They start an enterprise by means of their own skill.
- ii. **Second generation entrepreneur:** Second generation entrepreneurs inherit the family business and pass it on from one generation to the next.
- iii. **Classical entrepreneur:** A classical entrepreneur is one who is concerned with maximizing his economic returns with the survival of the unit but with or without the element of growth [01M]

**e. CLASSIFICATION GIVEN BY DANHOF:**

- i. **Innovative entrepreneur:** Innovative entrepreneurs possess the art of cleverly putting the attractive possibilities into practice. They introduce new methods of production, new goods, markets, or re-organizes the enterprise. In developed countries, innovative entrepreneurs play a key role in rise of modern capitalism through their enterprising spirit, hope of making money and ability to recognize and exploit opportunities.
- ii. **Imitative entrepreneur:** Characterized by readiness to adopt successful innovations. These entrepreneurs are more common in developing countries. These entrepreneurs prefer to imitate technology already existing somewhere in the world.
- iii. **Fabian entrepreneur:** Cautious and skeptical by nature, the Fabian entrepreneurs are reluctant of experimentation in their enterprise. They are imitative by nature and imitate only when failure to do so would result in a loss in the relative position of their enterprise.
- iv. **Drone entrepreneur:** Characterized by a refusal to adopt opportunities and make changes in their techniques/approach even at the cost of severely diminished returns. [1.5M]

**f. ACCORDING TO CAPITAL OWNERSHIP:**

- i. **Private entrepreneur:** When an individual or a group of individuals set up an enterprise, arrange the funds and bear the risks.
- ii. **State entrepreneur:** Trading or industrial venture undertaken by the state itself.
- iii. **Joint entrepreneur:** Combination of private and state entrepreneur

**g. ACCORDING TO GENDER AND AGE:**

- i. Male entrepreneur
- ii. Female entrepreneur
- iii. Young entrepreneur
- iv. Old entrepreneur

**h. ACCORDING TO AREA:**

- i. Rural entrepreneur
- ii. Urban entrepreneur

**i. ACCORDING TO SCALE:**

- i. Small scale industry entrepreneur
- ii. Medium scale industry entrepreneur
- iii. Large scale industry entrepreneur
- iv. Tiny industry entrepreneur

[02M]

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4. Any two out of the five kinds of organizations with structure

[05M]

Advantages of the organizational structure explained (Min. 3 points) [2.5M]

Disadvantages of the organizational structure explained (Min. 3 points)  
[2.5M]

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5. Principles of organization:

Objectives	Specialization	Span of control
Exception	Scalar Principle	Unity of command
Delegation	Responsibility	Authority
Efficiency	Simplicity	Flexibility
Balance	Unity of direction	Personal Ability

Explanation of any 10 of the fifteen principles (**Each point=1 M**)

[10M]

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6. The various sources of recruitment are:

• **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.

[02M]

- **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. [02M]
  - **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. [02M]
  - **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 [02M]
  - **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. [02M]
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7.

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.** A report is a written document pertaining to any investment proposal. It consists of the relevant data pertaining to all aspects of the project.
- b) Project reports are of great significance to an entrepreneur for two reasons- one, it serves as a road map describing the direction of the enterprise, its goals and how to achieve them; secondly, it also serves to attract investors and lenders.
- c) Financial institutions provide assistance on the basis of project reports. A project report is prepared after detailed study and analysis of input and output of project.
- d) The project report enables the entrepreneur to understand, at the initial stages, whether the project is sound in technical, commercial & financial aspects.  
[05M]
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8.

a.

#### **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. [04M]
- 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  
[05M]

b.

### **FINANCIAL FEASIBILITY STUDY**

**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]**