

THE VILLAGE INTERNATIONAL SCHOOL
UNIT-2: ENTREPRENEURIAL PLANNING

Unit 2: Entrepreneurial Planning

Competencies: Analytical and critical thinking; personal responsibility; determination; Resourceful; collaboration

Contents	Learning Outcomes
<ul style="list-style-type: none"> • Forms of business organization- Sole proprietorship, Partnership, Company • Business Plan: concept, format. • Components: Organisational plan; Operational plan; Production plan; Financial plan; Marketing plan; Human Resource plan 	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> • Recall the meaning of the various forms of business organization • Understand the characteristics of the various forms of business organization • Understand the difference between a Public and Private Company • Appreciate the reasons for a private company being more desirable • Appreciate the concept and importance of a Business Plan • Describe the various components of Business plan • Differentiate among the various components of Business plan • Develop a Business Plan

DELETED SYLLABUS FROM THIS CHAPTER

PAGE NO-45,46, 51 to 61

TOPICS: -

- 1. JOINT HINDU FAMILY FIRM**
- 2. CO-OPERATIVE ORGANISATIONS**

1	Human activities are classified into how many types?
Ans	<p>Activity, a symbol of human life may broadly be categorized into:</p> <p>a) Economic Activities: Activities undertaken to earn monetary gains are called economic i.e. activities primarily concerned with: • Production • Distribution and/or • Consumption of goods and services.</p> <p>b) Non-Economic activities: Activities done out of love, care, affection, self-satisfaction, emotions, sympathy, patriotism etc. but not for money, are known as non-economic.</p>
2	List and explain the types of Economic Activities.

Ans	<p>Activities which are inspired mainly by economic consideration can be classified in three broad categories: 1) Profession 2) Employment 3) Business</p> <p>1) Profession "Profession is that occupation in which one professes to have acquired specialized knowledge, which is used either in instructing, guiding or advising others," says the Webster's Dictionary. Examples: Lawyers, Doctors, Chartered Accountants, Company Secretaries, etc. Thus,</p>
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	<p>the occupation/activity which requires an individual to apply special knowledge and skills is said to be a profession.</p> <p>2) Employment An activity in which an individual works regularly for others and get remuneration in return, undertaking personal services as per the agreement of employment.</p> <p>3) Business This is our key area of study. 'A state of being busy or occupied', is what 'Business literally means'. In a way all economic activities related to the production and distribution of goods and services undertaken for monetary gains, are said to be business.</p>
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3	Activities which are inspired mainly by economic consideration are classified into how many categories?
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Ans	<p>Activities which are inspired mainly by economic consideration can be classified in three broad categories: 1) Manufacturing 2) Service 3) Trading</p> <p>Activities which are inspired mainly by economic consideration are classified as:</p> <p>(i)Manufacturing: It is the production of merchandise for use and sale. Manufactured goods can be used by final consumers. Final consumers can be households or firms.</p> <p>(ii)Service: It is intangible as it can't be stored and does not result in ownership. It is consumed at the point of sale. Example – banking, communication, transport, etc.</p> <p>(iii)Trading: It is an activity of buying, selling or exchanging goods or services. Money is made by buying or selling. Here one thing is exchanged for other.</p>
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4	Explain the essential characteristics of business.
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Ans	<p>Business is a continuous human economic activity with an objective to earn profit by producing, buying and selling of goods and services. Irrespective of size, nature, scale or ownership, an activity is referred as business if it exhibits the following essential characteristics:</p> <p>1) <u>Entrepreneur's presence</u> There must be someone/person to take initiative for establishing a business and undertake the risk associated with the same.</p> <p>2) <u>Economic activity</u> All those activities related to the production and/or distribution of goods and services, with economic motive i.e. profit can form part of business.</p> <p>3) <u>Production or procurement of goods and services</u> A business which either produces or procures goods and services for offering them to consumers, could be: a) Consumer's goods b) Producer's goods c) Services</p> <p>4) <u>Sale or exchange of goods and services</u> A business must involve sale, exchange or transfer of goods and/or services for the satisfaction of human needs against a value/price. Goods/services purchased or produced for personal/self-consumption, is not a business.</p> <p>5) <u>Regularity</u> One time transaction or dealing in goods and services is not business, even if one earns profit in return. Business must be done regularly.</p> <p>6) <u>Utility creation</u> Business activities result in creation of utilities i.e. a) Form utility - Changing the form of raw material into finished product creates form utility. b) Place utility - From the place of production, transporting goods to the place of consumption results in place utility. c) Time utility - The process of storing the goods when not required to supplying them when required generates time utility.</p> <p>7) <u>Profit earning</u> Profit is the reward for undertaking a business activity as no business can survive for long without earning profits.</p> <p>8) <u>Uncertainty of return</u> Business does not guarantee for the return of either principal amount invested in the business or the profit.</p>
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	<p>9) <u>Element of risk</u> Business involves risk i.e., uncertainty. 'Higher the risk, higher the profit' goes the old proverb. The actual business situation is affected by a variety of uncontrollable external factors casting favourable or unfavourable impact on business. Thus, the risk element keeps a businessman vigilant and going.</p>
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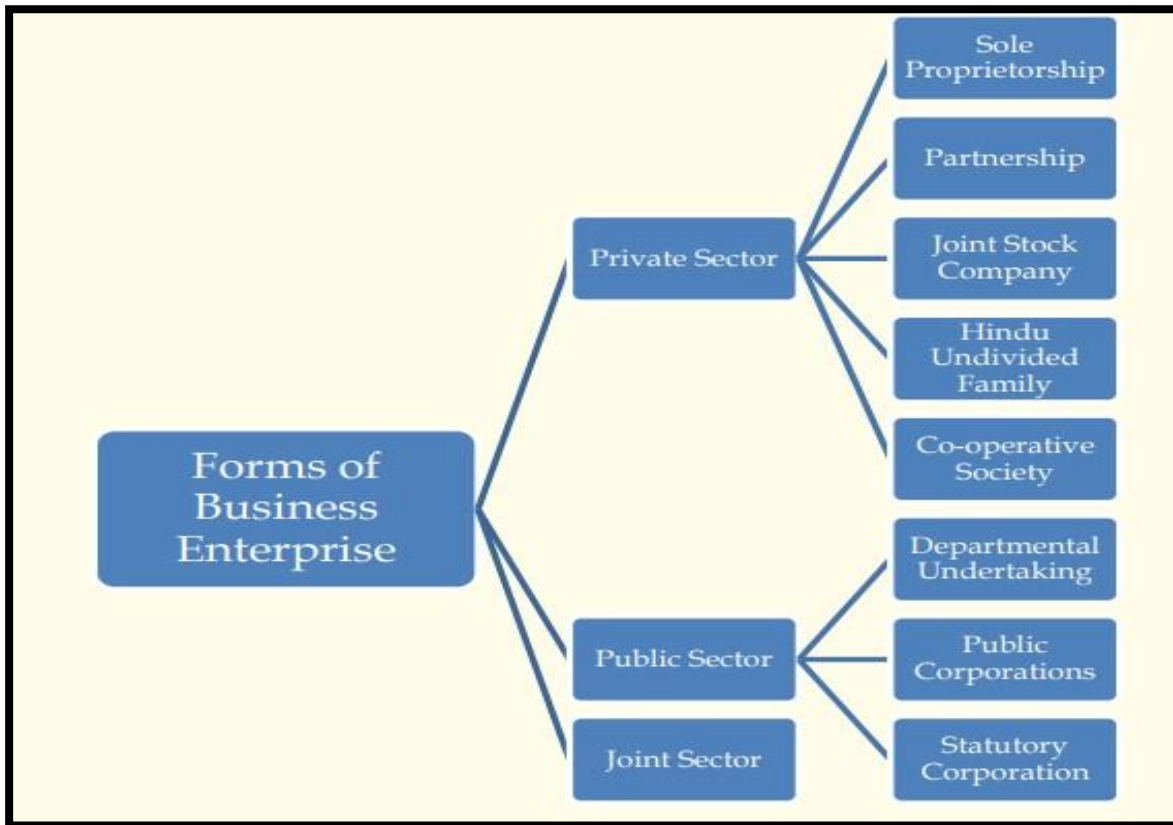
5	List the forms of business enterprises.
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Ans	<p>From the point of view of ownership and management, business enterprises may be broadly classified under three categories.</p> <p>1) Private sector enterprises</p> <p>2) Public sector enterprises</p> <p>3) Joint sector</p>
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6	Draw a flow chart explain the forms of business enterprises.
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Ans



7 **Explain private sector enterprises.**

Ans The enterprises which are owned, controlled, and managed by private individuals, with the main objective of earning profit comes under this category. Private individuals thus could start a venture as:

- Sole-proprietorship
- Partnership
- Joint Hindu family business

Forms of Business Enterprise Private Sector Sole Proprietorship Partnership Joint Stock Company Hindu Undivided Family Co-operative Society Public Sector Departmental Undertaking Public Corporations Statutory Corporation Joint Sector

- Co-operative
- Company

8 **Explain Public sector enterprises**

Ans When business enterprises are owned, controlled and operated by public authorities, with welfare as primary and profit as secondary goals, they are called as public sector enterprises. Either the whole or most of the investment in these undertakings is done by the Government(s). These enterprises have the following forms of organisation:

- Departmental undertaking
- Public corporations
- Government companies

9 **Explain Joint sector enterprises**

Ans	Joint sector is a form of partnership between the private sector and the government where management is generally in the hands of private sector, with enough representation on Board of Directors by the Government too. Resources are mostly borne equally.
10	From the entrepreneur's point of view which are the most commonly opted out forms for starting a new venture?
Ans	From the entrepreneur's point of view the most commonly opted out forms for starting a new venture are: 1) Sole proprietorship 2) Partnership 3) Company
11	Explain Sole proprietorship with its characteristics.
Ans	Such a firm is a one-person operation. "Sole" means only and "proprietor" refers to the owner. When any natural person, and not a 'legal' person or another entity, is in charge of an organization, it becomes a sole proprietorship enterprise. Both the owner and his/her business are the same. They have no separate legal bearing. Characteristics 1) Individual ownership: This business is exclusively owned by a single person. 2) Individual management and control: "What is to be done, how it is to be done, and when it is to be done" - all affairs are managed and controlled by the sole proprietor. Though, competent people can also be employed for efficient management. 3) Individual financing: All investment is made by the proprietor. Though, if required he/she has access to loans and debts to procure funds for business. 4) No separate legal entity: Legally, the proprietor and proprietorship are one and the same business and owner exists together, thus with owner's death, business too dies. 5) Unlimited liability: The proprietor is liable/responsible for all losses arising from business. In case the business assets are insufficient to pay off liabilities, his/her personal property can be called upon to pay his business debts. 6) Sole beneficiary: The sole proprietor alone is entitled to all the profits and losses of business. So he/she puts his/her heart and soul to increase his/her profits. 7) Easy formation and closure: Sole proprietorship is subjected to minimum legal formalities and regulations both at the time of commencing and/or closing. 8) Limited area of operation: This form of business generally has a limited area of operation due to: • limited finance availability • limited managerial abilities
12	Explain the advantages and disadvantages of Sole Proprietorship
	Advantages and disadvantages of Sole Proprietorship There are several benefits as well as limitations of running a sole proprietorship. We will discuss some of those points below:

Advantages -

- **Swift decisions** – A sole proprietor has complete responsibility in terms of making business decisions. It results in faster decision-making for the business as there is no need to consult multiple parties for every minor issue.
- **Confidentiality** – A sole proprietor can keep all business-related information to themselves as the business's only decision-maker. The law does not bind them to make the accounts of a sole proprietorship public.
- **Profit-sharing** – A sole proprietor has complete ownership of profits arising from business operations. They are not obligated to share profits with anyone else.
- **Fulfilment** – Since a sole proprietor is responsible for both risks and rewards of their business, even a minor success can give a greater feeling of pride and satisfaction than other business forms.

Disadvantages -

- **Lack of Resources** – It is challenging to raise vast amounts of capital in a sole proprietorship compared to a partnership or company. This form of business runs mainly on personal savings and borrowings made by its owner. Lack of adequate finances can become an obstacle in growing the business.
- **Dependence on owner** – The owner and their business are a singular entity in a sole proprietorship. While this has several advantages, the continuity of this form of business depends solely on the owner's well being. In case of death, insolvency, imprisonment, etc., it can shut down if there is no successor or heir to continue the business.
- **Unlimited Liability** – If the proprietor cannot pay debts arising out of business from its assets, his/her personal property is also at stake. This results in sole traders taking zero or very minimal risks to ensure the survival of the business.
- **Management** – The proprietor has to perform most or all the activities related to the business like purchase, client relationships, sales, marketing, accounting, etc. They may employ others to help in business operations, but limited finances may prevent the owner from getting fulltime staff and give them attractive remuneration. As such, the proprietor may have to carry out all activities without much assistance from others.

13 **Explain Partnership**

Ans A partnership is an association of two or more persons to carry on, as co-owners, a business and to share its profits and losses.
Thus, two or more persons may form a partnership by making a written or oral agreement to carry a business jointly and share its proceeds.

14 **Explain the characteristics of partnership.**

Ans	<p>The essential features of partnership are as follows:</p> <p>1) <u>Two or more persons:</u> Partnership is the outcome of a contract. Thus: a) There must be at least 2 persons to enter into contract to form partnership. b) Minors cannot form a partnership firm as they are incompetent to enter into contract but can be admitted to the benefits of a running firm. c) If these people intend to do banking business, the maximum number can be ten otherwise twenty for the other business.</p> <p>2) <u>Agreement:</u> The relation of partnership arises from contract and not from status. Though oral agreement is even acceptable but in practice written agreement is much more advisable as disputes can be resolved better with it.</p>
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	<p>3) <u>Profit sharing:</u> The objective of the business is to make profits and distribute the same amongst partners. Any association initiated to do charity work is not partnership.</p> <p>4) <u>Unlimited liability:</u> Mostly, the liability of the partners of a firm is unlimited. Their personal properties can be disposed of to pay the debts of the firm if required. The creditors can claim their dues from any one of the partners or from all of them, meaning partners are liable: • Individually • Collectively</p> <p>5) <u>Implied authority:</u> There is an implied authority that any partner can act on behalf of the firm. The firm stands bound by the acts of partners.</p> <p>6) <u>Mutual agency:</u> The business of partnership can be carried on by all the partners or any one of them acting for all. Thus, every partner is principal as well as agent of other partners and of the firm. Thus, (i) Each partner is liable for acts performed by other partners, (ii) Each partner can bind other partners and the firm by his acts done in the ordinary course of business.</p> <p>7) <u>Utmost good faith:</u> Every partner is supposed to act honestly and give proper accounts to other partners. Thus, mutual faith and confidence in one another is the main strength of partnership. 8) <u>Restriction on transfer of shares:</u> No partner can sell or transfer his share to anybody else without the consent of the other partners. By giving a notice for dissolution of the firm, a partner can show intention to discontinue as partner.</p> <p>9) <u>Continuity:</u> A partnership continues up to the time that all partners desire to continue it. Legally, a firm dissolve on the retirement, death, bankruptcy lunacy, or disability of a partner if not otherwise provided for in the partnership deed.</p>
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15	What are the consequences for non-registration of a partnership firm?
Ans	<p>Partnership firms in India are governed by the Indian Partnership Act, 1932. While it is not compulsory to register your partnership firm as there are no penalties for non-registration, it is advisable since the following rights are denied to an unregistered firm:</p> <p>1) A partner cannot file a suit in any court against the firm or other partners for the enforcement of any right arising from a contract or right conferred by the Partnership Act.</p> <p>2) A right arising from a contract cannot be enforced in any Court by or on behalf of the firm against any third party.</p> <p>3) Further, the firm or any of its partners cannot claim a set off (i.e. mutual adjustment of debts owned by the disputant parties to one another) or other proceedings in a dispute with a third party.</p>
16	List the contents of partnership deed.

Ans	<p>Although it is left to the choice of the partners of the firm to decide themselves as to what should be mentioned in their partnership deed, yet a partnership deed generally contains the following:</p> <ol style="list-style-type: none"> 1. Name of the firm. 2. Nature of the business. 3. Name of partners. 4. Place of the business. 5. Amount of capital to be contributed by each partner. 6. Profit sharing ratio between the partners. 7. Loans and advances from the partners and the rate of interest thereon. 8. Drawings allowed to the partners and the rate of interest thereon. 9. Amount of salary and commission, if any, payable to the partners. 10. Duties, powers and obligations of partners. 11. Maintenance of accounts and arrangement for their audit. 12. Mode of valuation of goodwill in the event of admission, retirement and death of a partner. 13. Settlement of accounts in the case of dissolution of the firm. 14. Arbitration of case of disputes among the partners. 15. Arrangements in case a partner becomes insolvent.

17	Explain Joint Stock Company.
Ans	<ul style="list-style-type: none"> • A company means a voluntary association of a person formed for some common object with capital divisible into units of equal value called 'shares' and with limited liability. Company is a creation of law that is the birth of this artificial human being is by law and it can be put to death by law only. • According to section 3 of Indian companies act, 1956, "A company means a company formed and registered under this act or any previous act." Thus, a company is an association of persons who contribute money in the shape of shares and the company gets a legal entity and enjoys a permanent existence.
18	Explain the characteristics of a Company.

Ans	<p>A company is distinctive from other forms of organisation because of the following features: 1) Voluntary association A single person cannot constitute a company. At least two persons, voluntarily, must join hands to form a private company, while a minimum of seven persons are required for a public company.</p> <p>2) Artificial person A company is created by law. Though, it has no body and no conscience, it still exists as a person, having a distinct personality of its own. Because like a human being it can buy, sell and own property, sue others, be sued by others, its called as an artificial person.</p> <p>3) Separate legal entity A company has an independent status, different from its members. This implies that a company cannot be held liable for the actions of its members and vice-versa. Company has a distinct entity separate from its members.</p> <p>4) Common seal Being an artificial person, company cannot sign the documents. Hence, it uses a common seal on which its name is engraved. Putting the common seal on papers, is equivalent to that of signatures of a human being, making them binding on the company.</p> <p>5) Limited liability The liability of the shareholders of a company is normally limited to the amount of shares held or guarantee given by them.</p> <p>6) Transferability of shares No shareholder is forever wedded to the company. Subject to certain conditions, the shares are freely transferable. The private companies do impose some restrictions on the transfer of shares.</p> <p>7) Diffusion of ownership and management In this form of organisation, entrepreneur should clearly understand there exists separation of ownership from management. As the shareholders could be scattered across country here, they give the right to the directors to manage the company's affairs.</p> <p>8) Number of members Private company: Minimum required members: 2 Maximum members : 50 (excluding employees) Public company: Minimum requirement : 7 Maximum number : No limit</p> <p>9) Limitation of action the scope of this artificial person is determined by: a) The Indian Companies Act b) Memorandum of Association c) Articles of Association Any work done beyond what is stated in these documents can lead to winding up of the process of the company.</p> <p>10) Winding up The mode of incorporation and termination (winding up) is both as per the Companies Act only. It's born out of law and can be liquidated only by law.</p>
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19	Why private company is more desirable than public company?
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Ans	<p>In spite of certain restrictions imposed on a private company, it enjoys certain privileges under the Companies Act. A substantial number of entrepreneurs prefer to form a private company because of the following important privileges:</p> <ol style="list-style-type: none"> 1) Only two members are required to form a private company. 2) Only two directors are required to constitute the quorum to validate the proceedings of the meetings. 3) Such company can file a statement in lieu of prospectus with the Registrar of Companies. 4) It can commence its business immediately after incorporation. 5) Holding of a statutory meeting or filing of a statutory report is required by a private company. 6) A non-member cannot inspect the copies of the profit and loss A/c filed with the Registrar.
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	<ol style="list-style-type: none"> 7) Limit on payment of maximum managerial remuneration does not apply to a private company. 8) Restrictions on appointment and reappointment of managing director do not apply. 9) Maintaining of index of members is not required by a private company. 10) Directors of the private company need not have qualification shares.
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20	Explain Joint Hindu family/ firm (HUFs).
Ans	<ul style="list-style-type: none"> • Joint Hindu family or Hindu Undivided Family Business is a unique form of business organisation prevailing only in India. • It is governed by Hindu law and represents a form which is owned, managed and controlled by the male members of a joint Hindu family. • The HUFs have been defined under the Hindu law "as a family, which consists of male lineally descended from a common ancestor and included their wives and unmarried daughters." • The relation of HUFs arises from the status not from legal contracts. Creating HUFs are the best possible way to save taxes.
21	What are the two conditions for existence of HUFs.
Ans	<p>There are two conditions for existence of HUFs. They are:</p> <ol style="list-style-type: none"> 1) Minimum two members must be there in the family. 2) Existence of some ancestral property.
22	Explain the characteristics of Hindu undivided family.
Ans	<p>The main features of HUF are as follows:</p> <ol style="list-style-type: none"> 1) Creation: It arises by status or operation of Hindu Law. 2) Membership: A male member becomes a member merely by his birth. By adoption, an outsider can be admitted to its membership but not otherwise. 3) Management: The senior most male member of the family known as 'Karta' manages the affairs, having unlimited powers. The other male members called 'Coparceners' have no right to deal with outsiders or inspect accounts. 4) Liability: The liability of Karta is unlimited and that of coparceners is limited to the extent of their share in property which is jointly held by the family. The self-acquired property of any member cannot be taken in order to satisfy business liabilities. 5) Right of Accounts: The members other than Karta do not have right to inspect and/or copy contents of the account books. 6) Minor as member: A male from the time of his birth becomes the member in this form of enterprise. 7) Dissolution: The HUF continues to operate forever as death of members does not effect it. As upper links are removed by death, the lower ones are added by birth. So there is no limit to its membership. But if all members want to mutually dissolve the firm, they can do so. 8) Implied Authority: Only the Karta has implied authority to bind the HUF by acts done in the ordinary course of the business of the firm. That's why he alone has unlimited liability.
23	Explain co-operative organisations.
Ans	<ul style="list-style-type: none"> • A co-operative is a different form of business enterprise as here, the main motive is not earning profit but mutual help. • It works with the principle of each for all and all for each. • The Indian Co-operative Societies Act, 1912 defines co-operative in section 4 as, "Society which has its objectives as the promotion of economic interests of its members in accordance with cooperative principle."
24	Explain the features of co-operative organisations

Ans	Co-operative is a self-help as well as mutual help system, exhibiting following characteristics:
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| | <p>1. Voluntary organisation: Co-operative organisation is a voluntary association of persons desirous of pursuing a common objective. They can come and leave the organisation at their own will without any coercion or intimidation.</p> <p>2. Democratic management: The management of a co-operative organisation is vested in the hands of the managing committee elected by the members on the basis of 'one member-one vote'. Democracy is, thus, the keynote of the management of a co-operative society.</p> <p>3. Service motive: Rendering services to its members rather than to earn profit as the primary objective is the feature that distinguishes a cooperative organisation from the other forms of business. The primary objective of a co-operative society is to render services to its members rather than to earn profits.</p> <p>4. Capital and return thereon: The capital is procured from its members in the form of share capital. A member can subscribe subject to a maximum of 10% of the total share capital or Rs. 1,000 whichever is higher. Shares cannot be transferred but surrendered to the organisation. The rate of dividends paid to the members/ shareholders is restricted to 9% as per the Co-operative Societies Act, 1912.</p> <p>5. Government control: In India, the activities of co-operative societies are regulated by the Cooperative Societies Act and the State Co-operative Societies Acts. Co-operative societies are required to submit their annual report and accounts to the Registrar of Co-operatives.</p> <p>6. Distribution of surplus: After giving dividends to the members, the surplus of profits, if any, is distributed among the members on the basis of goods purchased by each member from the society.</p> |
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25	What is the business plan
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| Ans | <ul style="list-style-type: none"> • The business plan is a comprehensively written down document prepared by the entrepreneur describing formally all the relevant external and internal elements involved in starting a new venture. • It's a formal statement of a set of business goals, the reasons they are believed attainable and the plan for reaching those goals along with the background information about the organization or/and team attempting to reach those goals. |
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26	How is business plan useful to an entrepreneur?
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| Ans | <p>A business plan is a comprehensive project report which not only encompasses the entire range of activities which are being planned in the business, but also:</p> <ol style="list-style-type: none"> a) helps to understand the feasibility and viability of the proposed venture, b) facilitates in assessing and making provisions for the bottlenecks in the progress and implementation of the idea, c) discusses the potential for success of the project along with the risk factors involved. |
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27	How are business plans a decision-making tool?
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Ans	<p>Business plans are decision-making tools:</p> <ol style="list-style-type: none"> 1) Describing all necessary inputs for the enterprise. 2) Explaining the mode of utilization of the resources. 3) Detailing the strategies for the execution of the project. 4) Outlining the desired goals 5) Assessing market sensitivity and the profitability of the venture. <p>Thus, the content and the format of the business plan is such which is able to represent all these aspects of the business planning process.</p>
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28	Who should write the plan?
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Ans	<p>A business plan draws on a wide range of knowledge from many different business disciplines, requiring, the entrepreneur to consult with many other expert professional sources in its preparation like: i)Lawyers,</p>
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	<ol style="list-style-type: none"> ii) Accountants, iii) Marketing consultants, iv) Engineers v) Internet sites vi) Officially appointed or/and set-up Banks, Specialized financial institutions or Agencies to promote entrepreneurship vii) Friends, relatives, mentors etc. <p>Though the business plan should be prepared by the entrepreneur, to determine whether to hire a consultant or to make use of other resources, the entrepreneur can make an objective assessment of her own skills, to determine where is he/she lacking and needs assistance.</p>
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29	Explain the importance of the business plan.
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Ans	<p>The business plan is valuable to the entrepreneur, potential investors, venture capitalists, banks, financial institutions, new personnel's suppliers, customers, advisors and others who are trying to familiarize themselves with the venture, its goals, and objectives.</p> <p>The business plan -</p> <ol style="list-style-type: none"> a) helps in determining the viability of the venture in a designated market b) helps in providing guidance to the entrepreneur in organizing his/her planning activities as such: i) identifying the resources required ii) enabling obtaining of licenses if required etc. iii) working out with legal requirements as desired by the government. c) helps in satisfying the concerns, queries, and issues of each group of people interested in the venture. d) provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles. e) though not desirable, at times, business plan helps to realize the obstacles which cannot be avoided or overcome, suggesting to terminate the venture while still on paper without investing further time and money. f) as the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution, it is the business plan which reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.
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30	It's well said that "writing a good business plan can't guarantee success, but it can go a long way toward reducing the odds of failure." Elucidate the importance of a business plan in this context.
Ans	<p>The business plan is valuable to the entrepreneur, potential investors, venture capitalists, banks, financial institutions, new personnel's suppliers, customers, advisors and others who are trying to familiarize themselves with the venture, its goals, and objectives. The business plan -</p> <p>(a) helps in determining the viability of the venture in a designated market</p> <p>(b) helps in providing guidance to the entrepreneur in organizing his/her planning activities as such: (i) identifying the resources required (ii) enabling obtaining of licenses if required etc. (iii) working out with legal requirements as desired by the government.</p> <p>(c) helps in satisfying the concerns, queries, and issues of each group of people interested in the venture.</p> <p>(d) provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles.</p> <p>(e) though not desirable, at times, business plan helps to realize the obstacles which cannot be avoided or overcome, suggesting to terminate the venture while still on paper without investing further time and money.</p> <p>(f) as the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution, it is the business plan which reflects the entrepreneur's credit history, the</p>
	ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.
31	<p>There is no fixed format for business plan presentation. It varies according to the entrepreneur's goals and audience, especially for start-ups there are four formats that are followed for business plan presentation. Comment.</p> <p>OR</p> <p>Explain the formats of a business plan.</p> <p>OR</p> <p>What are the types of business plan</p>
Ans	<p>Formats of business plan: The depth and detail in the business plan depend on the size and scope of the proposed new venture. There is no fixed content for a business plan as it varies according to the entrepreneur's goals and audience (i.e. who are being targeted). Thus, it is common for especially start-ups to have three or four formats as follows for the same business plan.</p> <p>i) Elevator pitch: It is a three-minute summary of the business plan's executive summary. This is often used as a teaser to awaken the interest of potential funders, customers, or strategic partners.</p> <p>ii) A pitch deck with oral narrative: A hopeful, entertaining slide show and oral narrative that is meant to trigger discussion and interest potential investors in reading the written presentation, i.e. the executive summary and a few key graphs showing financial trends and key decision making benchmark.</p> <p>(iii) A written presentation for external stakeholders: A detailed, well written, and pleasingly formatted plan targeted at external stakeholders.</p> <p>(iv) An internal operational plan: A detailed plan describing planning details that are needed by management but may not be of interest to external stakeholders.</p>
32	Make the outlines sequentially following components or parts of a business plan.

Ans	Depending upon the entrepreneur's experience, knowledge and purpose, generally a business plan outlines sequentially following components or parts: 1) Introductory cover page/general introduction 2) Business venture 3) Organisational plan 4) Production plan 5) Operational plan 6) Human resource plan 7) Marketing plan 8) Financial plan 9) Miscellaneous/appendix
33	Write the components or parts shown in the Introductory profile /general introduction of business plan.
Ans	This is the title or cover page that provides a brief summary of business plan's contents. The information of general nature contained in the introductory profile includes: a) <u>Entrepreneur's bio-data:</u> • Name and address of the promoter • His/her qualifications, • Experience and other capabilities • In case of partners – their names, number, addresses, designation etc. individually b) <u>Industry's profile:</u> • The name and address of the enterprise. • Telephone numbers/Fax/email/website address. • The nature of business. • Any branches/sister concerns. c) <u>Constitution and organisation:</u> The constitution and organizational structure of the enterprise i.e., the legal form of the proposed enterprise-sole, partnership, company or any other form, along with registrations details. d) <u>Product details:</u> • Product utility • Product range • Product design • Precise USP of product

34	Write the components or parts shown in the description of venture/business venture.
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Ans	<p>This section of the business plan generally begins with the "mission statement" by the entrepreneur describing the size, scope and nature of the enterprise. What the entrepreneur hopes to accomplish with that business, along with a clear description about the following key elements is covered under project description.</p> <p>a) Site: Location of enterprise, owned or leasehold land, industrial area, no objection certificate from the Municipal Authorities if required, needs to be determined.</p> <p>b) Physical infrastructure: Availability of the following items of infrastructure should be mentioned in the business plan.</p> <p>i) Raw material: Whether indigenous or imported, sources of supply etc.</p> <p>ii) Labour: Type of labour required, provision for their training, number of manpower required etc.</p> <p>iii) Utilities: These include: power, fuel, water, gas, electricity, etc. Business plan needs to clearly state: (a) type of utilities required, (b) load sanctioned (c) sources and quality of water used quantum of coal, coke, oil etc. required and the suppliers of the same.</p> <p>iv) Pollution control: The sewage system, and the sewage treatment plant, water harvesting system, arrangement for dumping and disposing of the other types of waste or emission all need to be discussed in the plan.</p> <p>v) Transport and communication system: Requirements for transportation and communication facilities, modes and means opted for, bottlenecks etc. are duly covered in by the business plan. vi) Machinery and equipment's: A complete list of items of machinery and equipment required indicating their size, capacity, type, cost and sources of their supply should be disclosed.</p> <p>vii) Production process: A mention of the process involved in production, the installed licensed capacity of the plant, the technology to be used, whether available locally or imported, shifts involved, needs to be present in the business plan.</p> <p>The target of this section of the plan is to save the entrepreneur from a potential disaster of time and cost later on. Here in the entrepreneur is able to assess and evaluate whether idea is feasible or not.</p>
35	<p>Write the components or parts shown in the Production Plan.</p>
Ans	<p>Production, the most important activity of an enterprise, because it is here that transformation of raw material into finished product takes place with the help of energy, capital, manpower and machinery. Being highly complex and tedious, the manufacturing operation needs to be well planned. No doubt it will be nature of venture which will decide the magnitude of importance and disclosure required under the production plan. Most likely there are three situations before the venture viz.</p> <p>a) No manufacturing involved: If the new venture does not include any manufacturing function, say it's a trading firm or a service provider, then this section will stand eliminated from the plan.</p> <p>b) Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe: i) Name and location of subcontractor(s) ii) Reasons for their selection iii) Cost and time involved iv) Any contracts that have been completed etc. In such cases, a clear mention of what entrepreneur intends to do himself and what he plans to get it done from outside is required.</p> <p>c) Complete Manufacturing: If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe: i) the physical plant layout, ii) the machinery and equipment required to perform the manufacturing operations, iii) raw materials and suppliers names, addresses, terms and conditions, iv) cost of manufacturing v) any future capital equipment required etc.</p>

36	<p>Picturising ahead every step in a long series of separate operations, each step to be taken in the right place, of the right degree and at the right time. Each operation is to be done at maximum efficiency. This is the objective of one of the components of a business plan. i. Identify the component. ii. There are three situations before the venture under this component. Explain briefly those three situations</p>
Ans	<p>(a) Production plan (b) Most likely there are three situations before the venture viz. (i) No manufacturing involved: If the new venture does not include any manufacturing function, say it's a trading firm or a service provider, then this section will stand eliminated from the plan. (ii) Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe: Name and location of subcontractor(s) Reasons for their selection Cost and time involved Any contracts that have been completed etc. In such cases, a clear mention of what entrepreneur intends to do himself and what he plans to get it done from outside is required. (c) Complete Manufacturing: If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe: (i) the physical plant layout, (ii) the machinery and equipment required to perform the manufacturing operations, (iii) raw materials and suppliers names, addresses, terms and conditions, (iv) cost of manufacturing, (v) any future capital equipment required etc.</p>
37	<p>State any one importance of writing a business plan for each of the given interest groups.</p>
Ans	<p>Investors: As the investors/lenders focus on the four Cs of credit: character, cash flow, collateral and equity contribution, it is the business plan which reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement. Entrepreneurs: (a) Helps in determining the viability of the venture in a designated market (b) Helps in providing guidance to the entrepreneur in organizing his/her planning activities as such: Identifying the resources required Enabling obtaining of licenses if required etc. Working out with legal requirements as desired by the government. (c) Provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenario and plan ways to avoid obstacles</p>
38	<p>Explain operational plan.</p>
Ans	<p>Operational plan is a system whereby there is achieved a smooth and coordinated flow of work within the factory so that, by planning and control of all the productive operations in all the stages of manufacture, the final product is completed in accordance with the plans.</p>
39	<p>The production plan aims at "plan your work", whereas operations plan ensures "work your plan". In the light of the given statement, examine the relevance of a operational plan for an entrepreneur.</p>

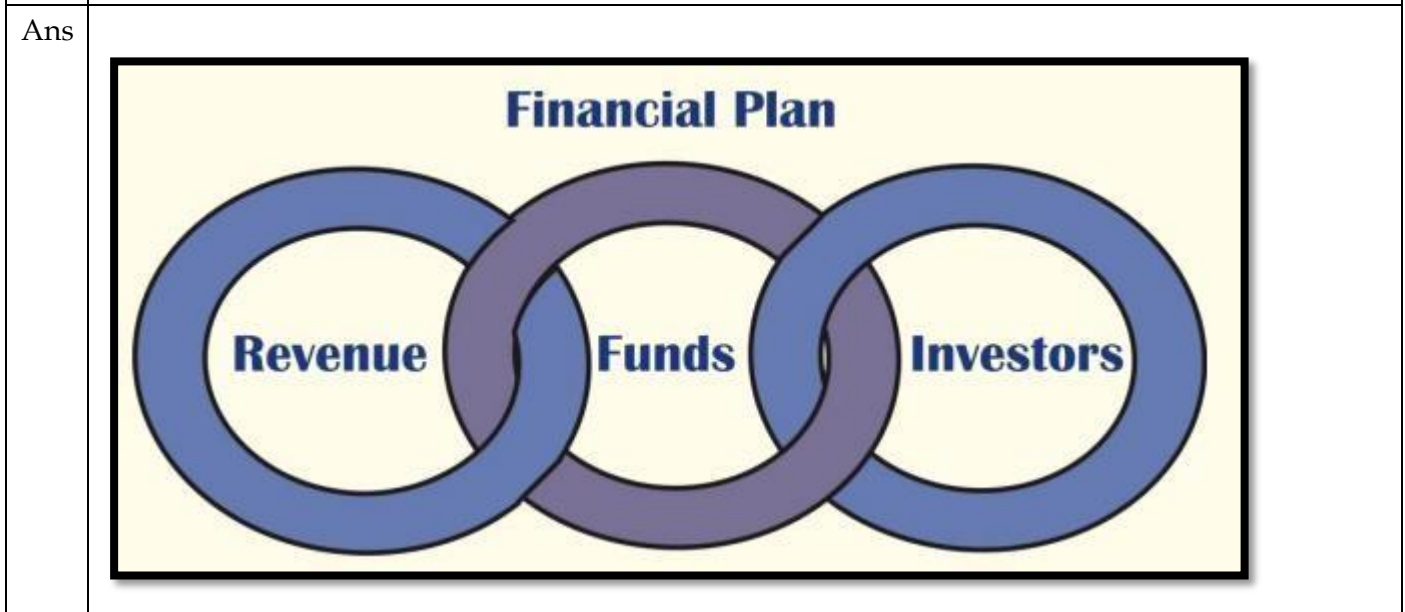
Ans	<p>It is actually a blue print prepared right in advance of actual operations –</p> <ul style="list-style-type: none"> • Ensuing orderly flow of materials in the manufacturing process from the beginning (raw state) to the end (the finished products) • Facilitating continuous production, lesser work-in-progress and minimization of wastage. • Co-ordinating the work of engineering, purchasing, production, selling and inventory management. • Describing the flow of goods / services from production point to the consumers. • Introducing a proper system of quality control. • Undertaking the best and most economic production policies and methods.
40	Explain the elements of operational plan.

Ans	<p>1) Routing- Routing is a process concerned with determining exact route or path a product/ service has to follow right from raw material till its transformation into finished product.</p> <p>2) Scheduling- Scheduling, simply means fixation of time, day, date when each operation is to be commenced and completed. In general, it's the determination of the time that should be required to perform each operation.</p> <p>3) Dispatching- The process of initiating production in accordance with pre-conceived production plan is said to be dispatching. This includes issuing necessary orders instructions, guidelines and/or information to work pertaining to giving practical shape to the production plan.</p> <p>4) Follow-Up- Follow-up or expediting function relates to evaluation and appraisal of work performed. A properly planned follow-up procedure is helpful in dispatching errors and defects in the work. Follow-up element helps the entrepreneurs in: a) Developing ways to review the present situation with regard to materials, work-in-progress and finished goods. b) Evolving ways to expedite the performance of those departments which lag behind. c) Removing obstacles in the way of production by suggesting remedial measures.</p> <p>5) Inspection- Inspection is the art of comparing materials, product or performance with established standards. This element helps the entrepreneur to set up laboratories or evolve strategies/methods to ensure predetermined quality of product/service.</p> <p>6) Shipping- This section goes beyond the manufacturing process and describes the flow of goods / services from production to the consumers. This part is a detailed presentation by the entrepreneur explaining the chronological steps in completing a business transaction efficiently and profitably.</p> <p>Operation plan is greatly affected by: a) Nature of venture b) Type of product/service c) Scale of operation, and d) Technology involved</p>
41	Explain organisational plan

Ans	<p>The organizational plan is that part of the business plan that describes the proposed ventures opted from of ownership adequately mentioning:</p> <ol style="list-style-type: none"> i. the terms and conditions associated with the selected form ii. lines of authority and responsibility of members of the new venture iii. the names, designation, addresses and resumes of the members iv. stake of members in the organisation v. roles and responsibilities of each member vi. procedure for solving conflicts/ disputes amongst members vii. forms of payment for the members of the organisation viii. voting rights, managerial and controlling rights of the members. <p>All this information provides the potential investor with a clear understanding of who controls the organisation and how other members will interact in performing their management functions</p>
42	How does organisational plan help an entrepreneur?
Ans	<p>The entrepreneur and the potential investors stand to gain from the organizational plan as the design of the organization so opted helps even in:</p> <ul style="list-style-type: none"> • Specifying the types of skills needed and the roles that must be filled by the members i.e., helps to decide the enterprise's formal organisation, and • representing the attitudes, behaviours, dress, communication styles etc., thus chalking out informal organisation or culture.
43	Explain Financial plan
Ans	<ul style="list-style-type: none"> • Finance is one of the most important pre-requisites to establish an enterprise.
	<ul style="list-style-type: none"> • Availability of finance facilities the entrepreneur to bring together men, material, machines and methods to produce goods/services. • As timely availability of funds in right volume is key to entrepreneurial success, the entrepreneur should develop a sound financial plan discussing: <ol style="list-style-type: none"> a) Financial requirements b) Sources of raising funds c) Exact assessment of the revenue, cost, profits, cash flow dynamics, stock of inventory loans etc.
44	What projections does the key financial plan give the entrepreneur?
Ans	<p>Financial plan is a projection of key financial data about:</p> <ol style="list-style-type: none"> a) The potential investment commitment needed for the new venture, and b) Economic feasibility of the enterprise
45	What picture does the entrepreneur and the investor get from the business plan?

Ans	<p>The financial plan is so designed that the entrepreneur and the investors could have a clear picture of:</p> <ol style="list-style-type: none"> How much funds are required? Where will funds come from? How are they disbursed? The amount of cash available General financial well-being of the new venture i.e., probable revenue forecast for the first year at least.
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46 **Identify the missing element.**



47 **List the components of financial plan.**

Ans	<p>Components of financial plan Major financial items that should be included in the financial plan are:</p> <ol style="list-style-type: none"> Proforma investment decisions Proforma financing decisions Proforma income statements Proforma cash flow Proforma balance sheet Break-even analysis Economic and social variables
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48 **Why is manpower planning important for any enterprise? OR "The people working in a firm make it what it is." Explain why?**

Ans	<ul style="list-style-type: none"> It helps in growth and diversification of business. Through manpower planning, human resources can be readily available and they can be utilized in best manner.
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	<ul style="list-style-type: none"> It helps the organization to realize the importance of manpower management which ultimately helps in the stability of a concern.
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49	What does manpower planning help to assess?
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Ans	<p>Manpower planning thus helps to assess:</p> <ol style="list-style-type: none"> 1) What kind of people are required? 2) How many people are required? 3) How will they be selected? <p>1) What kind of people are required? To carry on its work, each organisation needs personnel with the necessary qualifications, skills, knowledge, experience and aptitude for work. Thus, as the most basic thing, the entrepreneur must clearly state:</p> <ol style="list-style-type: none"> (a) what kind/type of person is required to be hired for getting his work done. (b) as each person would have a different positions, duties and responsibilities, it becomes imperative for the entrepreneur to clearly workout a wide range of personnel ranging from managers, supervisors, administrators, engineers, technical, skilled and unskilled class. (c) Nature of business activity helps entrepreneur to a large extent in deciding the type of manpower required. <p>2) How many people are required? This question deals with the quantity of personnel the enterprise needs. The number of people required for various positions throughout the enterprise gets affected by:</p> <ol style="list-style-type: none"> a) The total work to be done. b) How much work can an average person do in a specified period of time. c) Level of absenteeism expected. d) Rate of labour turnover. e) The present number of employees. f) The future plans for expansion and diversification. <p>3) How to procure personnel? As the next step in manpower planning, entrepreneur clearly mentions the strategies, methods, policies, rules and regulations pertaining to personnels:</p> <ul style="list-style-type: none"> • Recruitment • Selection • Training
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50	What are the three basic questions that the marketing plan helps them to answer?
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Ans	<p>The marketing plan represents a significant element in the business plan for a new venture as it effectively establishes how the entrepreneur will complete and operate in the market place by providing answers to three basic questions:</p> <ol style="list-style-type: none"> 1) Where have we been? This segment focuses on: <ul style="list-style-type: none"> • Some history of the market place, • Marketing strengths and weaknesses of the new venture, • Market opportunities and threats. 2) Where do we want to go? This primarily addresses the marketing objectives and goals of the enterprise in the next 12 months. 3) How do we get there? This question discusses: <ol style="list-style-type: none"> a) the specific marketing strategy that will be implemented, b) when it will occur, c) who will be responsible for the monitoring of activities.
51	Explain the steps in preparing the marketing plan.
Ans	<p>Potential investors regard the marketing plan as critical to the success of the new venture. Thus, the entrepreneur should make every effort to prepare it as comprehensive and detailed. Generally, procedure for preparing the marketing plan involves following steps:</p> <ol style="list-style-type: none"> 1) Business situation analysis 2) Identify the target market 3) Conduct SWOT analysis 4) Establish goals 5) Define marketing strategy 6) Implementation and monitoring of the plan
52	Explain Assessment of risk in business plan.
Ans	<p>There are some hazards, risks, or/and obstacles always present in the competitive environment. In a business plan, entrepreneur should:</p> <ol style="list-style-type: none"> 1) identify potential hazards 2) develop alternative strategies to either prevent minimize or respond to the risk.
53	Explain Appendix in business plan.
Ans	<p>The appendix of the business plan generally contains any backup material that is not necessary in the text of the document as:</p> <ol style="list-style-type: none"> a) Letters from customers, distributors etc. b) Any primary or secondary research data c) Copies of contracts, agreements or any price lists if received.

SUMMARY

- † Entrepreneurial activities are divided into three major categories: manufacturing, trading and service providing.
- † Activities undertaken to earn monetary benefits are called economic activities.

- † Activities done out of love and affection and not to earn monetary benefits are called non-economic activities.
- † There are three main forms of enterprises: public sector, private sector, joint sector
- † The business plan is a comprehensively written down document prepared by the entrepreneurship.
- † It describes the internal & external elements involved in a new venture.
- † It represents all aspects of business planning process.
- † It embodies sub plans from diverse avenues of business, namely;
 - Marketing
 - Finance
 - Operations
 - Human
 - Legal
- † A business plan is prepared by an entrepreneur with the assistance of experts & professionals from diversified fields
- † A business plan is valuable not only to the enterprise but all the stakeholders who may be directly or indirectly associated with the enterprise.
- † The four Cs of credit are: character, cash flow, collateral and contribution (equity)
- † The depth & detail in the business plan depend on the size & scope of the proposed new venture.
- † Depending upon the entrepreneur's experience, knowledge and purpose, following are the basic components/parts of a business plan.
 - Executive summary
 - Industrial analysis
 - Description of venture
 - Production plan
 - Operation plan
 - Organisational plan
 - Financial plan
 - Marketing plan
 - Manpower plan
- † The executive summary highlights in a concrete and convincing manner the key provisions in the business plan, yet stimulating the potential investors that the entire plan is worth reading.
- † The objective of the production plan is to plan the work in a manner that each step to be taken in the right place, right degree, right time and more efficiently.
- † The operations plan is the soul of business plan
- † The organizational plan is that part of business plan that describes to proposed venture's form of ownership
- † The financial plan is a projection of the financial data about the potential investment commitment needed for the new venture & economic feasibility of the enterprise.

- † In order to build up loyal, efficient and dedicated personnel, entrepreneurs need to pay adequate and proper attention to human resource planning.
- † The marketing plan is a guideline regarding the marketing objectives, strategies and activities to be followed by any enterprise.
