

Ajay Kumar Garg Engineering College, Ghaziabad

Department of Applied Sciences & Humanities

Model solution: Sessional Test-2

Course - B.Tech

Semester - VII

Session - 2017-18

Section - EC-1,2,3, EN-1,2, ME-1,2,3, EI-1 & CE-1,2.

Subject - Entrepreneurship Development

Sub. Code - NOE071

Max. Marks - 50

Time - 2 hours

Note - Answer all the sections.

Section - A

A. Attempt all the parts.

(5 × 2 = 10)

Ques 1 - What do you mean by Benefit Cost Analysis?

Ans - It is the procedure of estimating all costs involved and possible profits to be delivered from a business opportunity or proposal. Its objective is to ascertain the soundness of an investment opportunity. Benefit Cost Ratio should be greater than 1.

Ques 2 - What are overhead expenses?

Ans - Overhead expenses refer to ongoing operating expenses necessary to running a business, but not attributed to a specific business activity. This includes expenses such as accounting, advertising, depreciation, insurance, interest, rent etc. It is also known as Indirect expenses. It is listed in Company's Income Statement.

Ques 3 - What are the Internal sources of finance?

Ans - Internal sources of finance are raised from the enterprise itself. They are:

- Owner's Capital or Equity.
- Deposits or loan given by owners, partners, directors etc.
- Retention of profits made & Conversion of some assets into funds.
- Personal loan of entrepreneurs from PF, Life Insurance, investment, mortgage of buildings. etc.

Ques 4 - Define Industrial Relations.

Ans - The term Industrial Relations explains the relationship between the employer and his workmen. It is also relationship between Union and management. Positive Industrial Relations is known Industrial Peace while negative IR is Industrial Dispute. J.T Dunlop defines: "Industrial Relations is the complex interrelations among managers, workers and the agencies of the government".

Ques 5 - What is SQC?

Ans - SQC (Statistical Quality Control) refers to the use of statistical methods in the monitoring and maintaining of the quality of products and services. Acceptance Sampling & Control charts are important tools of SQC. Acceptance Sampling is used when a decision must be made to accept or reject a lot on the basis of sample quality.



### Section-B

B. Attempt all parts.

(5X5=25)

Ques 6 - What are various types of Decision Making?

Ans - Decision Making is the process of selection of a course of action from a number of possible alternatives. It has following types:

- 1) Tactical & Routine Decisions - Such decisions are made repeatedly by managers following some established rules & policy. It requires thorough fact finding and analysis of possible alternatives.
- 2) Policy & Operating Decisions - Policy decisions are taken by top management. Operating decisions are taken by lower management to put policy decisions into action.
- 3) Organizational & Personal Decisions - A manager takes organizational decisions with his official capacity. He can take some personal decisions with his personal capacity not related to organization.

4) Programmed & Non-programmed Decisions — Programmed decisions are routine decisions following a standard procedure. Non-Programmed decisions require

thorough analysis of situational factors. Programmed decision may concern one employee while Non-programmed may be related to a large number of employees.

5) Individual & Group Decisions — Individual decisions are taken by one person in a small organization.

Group or Collective decisions are taken in large organization by a group of members. =

Ques 7 - What are the functions of PPC?

Ans - Production planning & Control (PPC) has following functions: -

1) Planning — After finalization of equipments, process & operating parameters, next comes prod<sup>n</sup> planning. It decides about all future course of actions in advance. It mainly consists of Delivery schedules, Market needs & Inventory Control.

2) Routing — It is the process of fixing optimum route of travel or sequential path of flow of all the components of a product from raw material stage to final stage along with



different departments and machines.

3) Loading — Loading is the process of assigning specific jobs to men, machines and work centres as per their capacities. A loading chart is prepared to show planned utilization of men & machine available.

4) Scheduling — Scheduling is the process of preparation of time table for production by the planning department. Time table fixes the time and date for each operation as well as sequence of operation.

5) Dispatching — Releasing of orders and instructions for starting of production as per route sheets and schedule chart is called scheduling. Important dispatching documents are work orders, time cards, inspection tickets, move tickets, tool & equipment tickets.

6) Follow up — This function ensures that production is being carried out as per schedule and also helps to boost it. Flow process chart is used for follow up. At last stage, quality of production is ensured with the help of regular inspection.

Ques 8 - What are the types of wages & Incentives?

Ans - Wages are the compensation which is paid by employer to employees for their work in the organisation. There are following types of wages:

1) Minimum wages - These are paid to workers for basic sustenance of life, preservation of life, preservation of efficiency and must include measures of education, Medical requirements and amenities.

2) Living wages - These should enable employee to provide for food, clothing and shelter for himself and his family living comfort, education for children, Insurance, essential social needs etc.

3) Fair wages - These are the wages between minimum and living wages. It is paid to workers performing equal work with equal difficulties and risk, demanding equal skills and efforts. It is also the rate of wages prevailing for the skill and qualification of the workers.



## Incentives

Incentives are used for motivation. There are of two types:

- (i) Financial - Money can be a very powerful motivation for persons operating at the lower level as it can satisfy the psychological needs. Money can be given in the form of pay, promotion and rewards. Adequate pay compensation will attract and retain key people of superior calibre in the organization.
- (ii) Non-financial incentives:- The feeling of achievement can motivate a person. Such achievement should be followed by recognition as follows:-
  - (i) Providing responsibility through job enlargement.
  - (ii) Providing participation
  - (iii) Creating sense of achievement
  - (iv) Providing recognition for accomplishment
  - (v) offering inducement of promotion and growth as a result of effective performance.

Q9 Write a short note on NPV :-

Ans. Net Present Value (NPV) :- This method defines the excess of present value of project cash flows over that of outflows, when all cash outflows are in base yr.

$$NPV = \frac{B_1}{(1+r)^1} + \frac{B_2}{(1+r)^2} + \dots + \frac{B_n}{(1+r)^n} - C_0$$

Where  $B_1, B_2, B_3 \dots B_n$  = Cash inflow in the periods 1, 2, 3, ... n years

$C_0$  = Cash outflow in the base years, 0

$r$  = Cost of capital of the enterprise

#### ADVANTAGES:

- (i) Indicates value added to the total assets of enterprise
- (ii) Fulfill's the objective of owner's maximum welfare.
- (iii) It recognizes the time value of money and considers all cash flows over the entire life of project.
- (iv) Automatically allows for recovery of initial investment

#### DISADVANTAGES:

- (i) It is difficult to use
- (ii) When project involves different investment, decisions become difficult
- (iii) The project with high NPV may be unattractive as it may require high capital outlay.
- (iv) It is difficult to select a proper discount rate.



Q10 What are the constraints of implementation of a project?

Ans: The various constraints of a project implementation are :-

A) Internal Constraints of Project Implementation:

1. Improper preparation of feasibility reports affect the duration of project implementation.
2. Lack of management of project systems, organization structure, network analysis etc -
3. Unrealistic project objectives
4. Non-availability of sufficient physical resources such as finance, personnel, incentives & facilities.
5. Non-availability of non-physical resources such as patents, secret processes, unique skills & experience.

### (B) External constraints of project implementation

1. The project may not conform to the socio-economic objectives of the country.
2. The procedures and documents of financial institutions and banks may delay the implementation of the project.
3. No objection certificates, approvals, licences, foreign collaborations etc. may hinder the project's implementation.
4. Factors such as a key vendor going bankrupt, economic upheaval, wars, crime and other events may directly impact the project's effectiveness.

So above are some of the constraints which the entrepreneur faces during project implementation.



Q11. What are the stages of Project Report preparation?

Ans. There are three stages of a project report:

- ① Preliminary Project Report (PPR)
- ② Techno-economic feasibility assessment
- ③ Detailed Project Report.

① Preliminary Project Report:- is simple brief data sheet which gives insight into the following aspects of the project.

1. Requirement of amount of money, manpower, materials for setting up the project.
2. Types of machines required.
3. Sources of Technology.
4. Economic gains from the project.

② Techno-economic Feasibility Study

1. Location:- decided on the following basis
  - Availability of raw material
  - Availability of labour
  - Availability of market outlet
  - Cost of transportation
2. Educational Qualification & Experience
3. Production Programme

4. Plant and machinery: The cost of machinery will include ex-works cost, transportation handling, insurance etc.
5. Plant Capacity: The quantity of goods can be worked out from the capacity of the machinery, normal working days and man hours lost due to breakdown/maintenance
6. Sales Revenue: The sales price should be decided on market price of the product
7. Raw Materials: The list will include raw material for production, packing, maintenance, and testing
8. Utilities: Electricity, coal, furnace, oil, etc. are required for production
9. Man Power Requirements: Salary & Wages is decided as per Minimum Wages Act
10. Working Capital: This includes value of assets - stock of raw materials, finished goods, semi-finished goods

③ Detailed Project Report (DPR) : A detailed project report has to be prepared on finally selected project. It includes estimates, financial projections, calculations, technology information, ownership documents etc.



## Preparation Project Report

1. Introduction of product selected
  - a) The name of product selected
  - b) Application of product
  - c) Future demand of product
  - d) Demand & Supply of product
2. Entrepreneur's bio-data
3. Analysis of the market
4. Layout of the plant
  - (i) Plant layout
  - (ii) Reasons for site selection
  - (iii) Details of factory shed
  - (iv) Expected cost of land & building
5. Preliminary Information
  - Financial requirement
  - NOC from DIC
  - Sales Tax registration
  - Excise duty registration
6. Production Procedure: following details
  - Technical specification of product
  - Plant layout
  - Quality control

## 7. Other Administrative Expenses

This includes:-

1. Stationery and printing
2. Postage
3. Telephone
4. Travelling
5. Advertisement Exp
6. Technical & legal fees

## 8. Working Capital:-

1. Raw Material Stock
2. Goods under process
3. FG
4. Stores

## 9. Total cost of Project

1. fixed Capital: Land & Building, + P & M
2. Preliminary Exp
3. Working Capital

## 10. Financing of the Project.

1. Own Investment
2. capital subsidies
3. from friends
4. Short term loans
5. Trade Credit.

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Q.12: Explain how Profit and Loss A/c and Balance sheet are prepared?

Ans: Preparation Profit and Loss Account

### Profit and Loss Account

The main features of this report are as follow-

1. It highlights the net profit or net loss incurred by the enterprise for a given period of business operation
2. This report is needed to know the net results of business operation for a given period
3. The report is analyzed to control the expenses of business operation of the enterprise
4. The losses and revenue expenses are shown as debit
5. The gains and gross profit are shown as credit
6. closing entries are passed to transfer balance of accounts of items of expenses & gains
7. The net profit or loss shown by Profit and Loss Account is transferred to Capital Account.

### Balance Sheet :-

1. The main features of Balance sheet are as follows
  1. It is a statement of liabilities & assets of a business enterprise and shows the

financial position on a given date.

2. The information given in a balance sheet is true and valid only on a given date usually 31<sup>st</sup> March of a year
3. The balance sheet is prepared to show the financial position of a business enterprise in terms of values of assets and liabilities
4. Balance sheet is not an account but a statement and form part of final accounts
5. The total value of assets and liabilities are always equal, portrays and accountancy equation
6. Assets and liabilities are marshalled in order of liquidity or order of performance

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