Project- Definition and meaning

- A project is nothing but a scheme or design or proposal of something which is intended to be achieved.
- A project is an organized unit dedicated to the attainment of a goal and successful completion of project in time, within the budget, in conformation with predetermined program, specification.
- Attributes of project are a.
- A. course of action.
- B. Specific objectives.
- C. definite time perspective.

Project identification.

1. Identifying ideas or business opportunities, by the following methods.

a. Watching emerging trends in the market.
b. Bridging a gap that exits in the market.
c. Doing market survey to find out what people need.
d. Achieving technological break through R @D
e. Developing complementary product or services for an existing successful product.
f. Ideas can be additive, complimentary or breakthrough.

Project identification.

2. Selection of a feasible/economic idea.
3. collection, compilation and analysis of relevant idea.
4. Identifying the characteristics of each project with respect to input/output and social costs and benefits.
5. Identifying the internal and external constraints of the project.

Project identification.

6. Operating requirement and costs

operating costs are those that are incurred after the commencement of actual production, such as raw materials, utilities, labor, transport, maintenance..etc

7. Financial analysis.

a. Proforma balance sheet.

b. depreciation calculation.

c. Foreign exchange requirement.

d. tax analysis.

e. sensitivity analysis.

Project identification.

8.Economic Analysis.

a. social profitability analysis

b. is there impact on foreign trade.

c. indirect tax and benefits.

9. Miscellaneous aspects.

a. level of technology used.

b. cash flow diagram estimates.

c. future expansion plans.

d. Diversification plans.

Project selection

Apart from SWOT analysis the following factors are to be considered.

1. Market potential.
2. Degree of competition: national international, present and future.
3. Availability of raw materials.
4. Availability of latest technology.
5. Resources and experience of the entrepreneur.
6. Government policies and regulations.
7. Society or community reaction to product/project and its location

Project report- Need and significance

- Project report is a roadmap to reach the destination.
- Goals and objectives are specified. Time frame for reaching the goal, methods for achieving are mentioned.
- It helps both in planning and implementation.
- Good project reports attracts investors, banks, financial institutions, venture capitalists….etc.
- Without project report one cannot obtain licenses and clearances from various agencies.

Contents of project report- as per planning commission guidelines.

1. general- information:

    a. analysis of industry to which the project belongs.

    b. Past performance and future estimates of industry.

    c. information of promoters, promoting company board of directors, key executives.

2. Preliminary analysis of alternatives.

    a. current data on the gap between demand and supply for the product to be produced.

    b. Production capacity.

    c. Existing plants capacity, proposed plants capacity.

Project report- Need and significance

d. location of plants and its implications.

e. Foreign exchange capacity.

3. Project description.

   a. technology used.

   b. basis for selection of location.

   c. Environmental effects, water, air, land, flora and fauna.

   d. Operational requirements, water, power, labor, transport.

4. Marketing plan.

   a. Demand and prospective supply.

Project report- Need and significance

- Forecasting techniques employed to determine the demand data.
- Price sensitivity of the product.
- Analysis of past trends and prices.

5. Capital requirement and cost:

   a. Debt.

   b. Equity.

   c. interest rate.

Control variables of a project

- Time: the amount of time required to complete the project. It is typically broken down for analytical purposes into the time required to complete the components of the project, which is then further broken down into the time required to complete each task contributing to completion of each component.

- Cost: calculated from the time variable. Cost to develop an internal project is time multiplied by the of team members involved. When hiring an independent consultant or firm's hourly rate multiplied by an estimated time to complete.

- Quality: The amount of time put into individual task determines the overall quality of the project. Some tasks may require a given amount of time to complete adequately, but given more time could be completed exceptionally. Over the course of a large project, quality can have significant impact on time and cost(or vice versa).
- Scope : requirements specified for the end result. The overall definition of what project is supposed to accomplish, and a specific description of what the end result should be.
- Risk: Potential points of failure. Most risks or potential failures can be overcome or resolved, given enough time and resources.

Project appraisal

- Methods of project appraisals are:
- Economic analysis.
- Financial analysis.
- Technical feasibility.
- Managerial competence.
- Market analysis.

Economic analysis

- Economic analysis includes: requirement of raw materials, level of capacity utilization, expected sales, expected profits, business should have a volume of profit that decides sales to be achieved. Specific government policies to be considered that is government offers specific incentives and concessions for setting up industries in notified backward areas.

Financial analysis

- Finance is one of the most important prerequisites to establish an enterprise. It is the finance that facilitates an entrepreneur to bring together the labor, raw materials and other facilities to produce goods. Financial requirements like fixed capital and working capital, land and buildings, plant and machinery are some of the examples of fixed capital assets. Working capital is the amount of funds which is needed in day-to-day's business operations operation. Break-even analysis is made to assess at what level of production/sales will result in no loss/no gain situations.

Technical feasibility

- While making project appraisal, the technical feasibility of project is made. Technical feasibility means the adequacy of the proposed plant and equipment to produce the product with the required quality and price. It should be ensured that know how is available within the entrepreneur or should be obtained from outside in the form of either collaboration or purchase or franchise.

Managerial competence

- Managerial competence plays an important role in making the enterprise a great success. In the absence of managerial competence a technically and financially viable project may fail. While conducting project appraisal study of managerial appraisal is also important. Studies have revealed that most of the enterprise fail due to lack of good managerial competence.

Market analysis

- Before the actual start of production, there is a need to study the market with respect to demand, target customers, when and where the products are to be sold. Production has no value unless the produced goods are sold. Demand forecasting is one such method of knowing the anticipated market. The various methods of estimating the demand for a product are:
- Opinion pool.
- Market survey.
- Life cycle analysis.
- Desk survey.
- Dealers opinion.

Differentiate between PERT and CPM

PERT	CPM
Event oriented approach	Activity oriented approach
Considers uncertainty	No allowance for uncertainty
Has three time estimates	Single time estimate with emphasis on cost
Probabilistic model	Deterministic model
No demarcation between critical and non critical activities Crashing is not alied	It marks critical activities Crashing is applied

Errors in Project report

- 1. Lack of good market research leading to underestimation or overestimation of customer demand.
- 2.Improper product selection, leading to failure in achieving market share.
- 3. selection of improper technology, resulting in either poor quality of product or increased cost of manufacturing.
- 4. failure to make realistic project cost and time estimation.
- 5. failure to select suitable location(may result in labor problem, increase in transport cost…etc)
- 6. failure to understand sociological and ecological impact

Errors in Project report

- 7. failure to anticipate accurate cash flow.
- 8. failure due to ownership pattern which is not suitable.