



#### F. HIGH ORDER THINKING SKILLS

Question 1. A person has decided to start a small leather belt manufacturing unit. He/she is not aware of the various formalities involved in the process of setting up the unit. Explain to him/her the procedure.

Answer: Various formalities are to be followed for starting a business in India:

- (i) Obtain PAN Number from Income Tax Department
- (ii) Open a Current Account in any commercial bank.
- (iii) Register a limited Liability Partnership (LLP).
- (iv) Register company (Pvt. Ltd/Public . Limited Company)

The following steps are involved in incorporating a private or public company in India:

- (i) Name of the Business Entity
- (ii) Register for e-filing at MCA (Ministry of Corporate Affairs) portal
- (iii) Apply for Director Identification Number (DIN)
- (iv) Obtain Digital Signature Certificate (DSC)
- (v) Register DSC at MCA website
- (vi) Apply for approval of the name of the company
- (vii) Formulate Memorandum of Association
- (viii) Formulate Articles of Association
- (a) Verify, stamp & sign Articles of Association
- (b) Verify the various forms required for incorporation of company
- (c) Register for Service Tax
- (d) Register for VAT/Sales Tax
- (e) Excise Duty (If Applicable): Apply to the nearest Central Excise Division Office in Form A. 1 along with a self-attested copy of the PAN issued by the Income Tax Department.
- (f) Shop and Establishment Act: Shops and Establishment Act is a state act and therefore State Specific Shops and Establishment rules should be followed for getting knowledge on registration and maintenance of different registers.
- (ix) Customs Duty: Customs Duty is levied on goods imported into India as well as on goods exported from India.
- (x) File Entrepreneurship Memorandum at DIC
- (Optional): Entrepreneur may file Part I of Entrepreneurs Memorandum to the District Industries Centre. This may be necessary for claiming certain incentives/subsidies and for certain formalities at the state level.
- (xi) Apply for TAN: All persons who are required to deduct tax at source or collect tax at source on behalf of Income Tax Department are required to apply for and obtain TAN.
- (xii) Permissions required at the construction stage.
- (xiii) Employee's Provident Fund: Applicable for establishments employing 20 or more persons and engaged in industry.
- (xiv) Employee's State Insurance (ESI) Scheme: The Act is applicable to non-seasonal factories employing 10 or more persons and is extended to shops, hotels, restaurants, cinemas including preview theatres, road- motor transport undertakings and newspaper establishments employing 20 or more persons.

#### G. VALUE BASED QUESTIONS

Question 1. The first stage of a business plan is to come up with a business name supposing you are an entrepreneur, who is in the stage of deciding a business name for your enterprise would you:

(i) Keep the name of your enterprise, similar to one of the enterprises that are already doing really well in the same line of business?

(ii) Select/create a completely new name for your enterprise and create a brand name of your own? Give reasons. (Honestly)

Answer: If I am the entrepreneur in the stage of deciding a business name of my product then I will not keep the name of the enterprise, similar to one of the enterprises that is already doing really well in the same line of business. Instead I will go for a completely new name for my enterprise and create a brand name of my own. This is because:

(i) Honesty: Having a new brand name is a honest attempt to start a new venture.

(ii) Creative: Altogether new enterprise will mean that the entrepreneur is creative.

(iii) Initiative: This indicates that the entrepreneur is taking initiative for ! starting a new thing.

(iv) Discipline: In this case, by opening a new enterprise with a new brand name indicates that the entrepreneur is well aware of the business ethics and is a strict disciplinarian.

Question 2. An entrepreneur is doing the industry analysis. While he is analyzing his competitions in the line of business, he realises that the competitions are far better in their business plans and their execution. Should the entrepreneur add unique selling point in the existing plan to get a creative niche above others or should he go for a completely different line of business where the competition is less and he is easily able to place his feet in the market? Give reasons. (Creativity and problem solving)

Answer: Entrepreneur should add unique selling point in the existing plan to get a creative niche above others. This is because of following reasons:

(i) This will indicate that the entrepreneur is creative and so want to solve the problem with creativity.

(ii) It also will mean that the entrepreneur has the ability to concentrate on the problem and have a suitable solution.

(iii) Here the entrepreneur will be a problem solver and is not afraid of competition.

(iv) It also reflects that the entrepreneur has got the quality of endurance which is an essential trait for a successful entrepreneur.

Question 3. You are an entrepreneur who is deciding the operational plan for your business. While deciding for the technology to be used, you come across two alternatives:

(i) Use a cheaper technology which lets you dispose off the waste water and lets you fix the price of your product low.

(ii) Use a technology that is a little expensive as it lets you recycle that waste water into water fit for drinking. In this case you will have to fix the price a little higher in order to earn profits.

(iii) Use the technology that recycles the waste, do not change the price. And go about cost cutting though efficient utilization of resources. Give reasons for your selection of alternative.

Answer: As an entrepreneur I will go for the third alternative i.e. alternative £c'. This is because of following:

(i) It indicates the efficient utilization of resources.

(ii) It will also mean proper utilisation and re-utilisation of resources. It shows the entrepreneur's concern for environment.

(iii) This step indicates that the entrepreneur is aware of his responsibility as a mark of citizenship.

(iv) This step reflects the resource fullness trait of the entrepreneur.

Question 4. An individual wants to start an enterprise that manufactures steam iron which can be imported from Germany. The material available in Germany is a little better in quality. However, there are no safety issues with the one available in India which material would you go for and why? (Social responsibility,

import substitution).

Answer: As an entrepreneur I will go for the material available in India. This is because:

- (i) It is the social responsibility of the entrepreneur to go for the betterment and the development of the country.
- (ii) This will also mean that the entrepreneur is going for import - substitution. This will save the precious foreign exchange for the country.
- (iii) National awareness value will be reflected here. It means that the entrepreneur is aware about the national problem.
- (iv) By import substitution he will be fulfilling the requirement of the people, indicating that he cares for the society and the problems of the people.

Question 5. While doing the manpower planning an entrepreneur decides to keep less qualified manpower and give them low wages and salaries to enable higher profits. Do you think his approach is correct and justified? Why?

Answer: No, this approach of the entrepreneur is incorrect. This is because:

- (i) In such situation he will not be utilising the resources fully and this will mean more likely wastage of the resources.
- (ii) Entrepreneur will be not fulfilling his responsibility of doing social service.
- (iii) He will not be doing social justice as he will be exploiting the people for his selfish motive.
- (iv) He is also not following self control. Self control is an essential trait for the long term success of the enterprise.

Question 6. According to you, what kind of organisational set up is better - an autocratic form of an organization where there is absolute centralization of power and the communication from top to bottom.

Or

A democratic form of an organization where power is decentralized and communication from both the ends. Justify.

Answer: In my opinion, the should be democratic form of organization where power is decentralized and communication from both the ends. This is because of following reasons:

- (i) Creativity: This will enhance the creativity as there will be ample freedom of expression in the firm.
- (ii) Team work: Team work will be enhanced as there will be democratic set up. There will be more positive interaction between the employees and the management.
- (iii) Consideration for others: Democratic set up ensures consideration for others. This will create more belongingness in the enterprise leading to more better working environment.
- (iv) Humanism: Human feeling will be more positively and effectively utilised for the betterment of the enterprise and also for enhancing the productivity.

Question 7. Raghav, an entrepreneur realises that the enterprise he wants to start has a potential risk of fire because the production process poses such a threat. Should he develop strategies to:

- (i) Prevent the risk
- (ii) Respond to the risk
- (iii) Prevent as well as respond to the risk? Give reasons.

Answer: Raghav should prevent as well respond to risk. This is because of following reasons:

- (i) Initiative: This will reflect that he is ready to take initiative which is an essential trait for a successful entrepreneur.
- (ii) Creative: This will indicate that the entrepreneur is creative which will mean that the entrepreneur will have more chances of being successful in future.
- (iii) Discipline: Prevention and responding will require the entrepreneur to be disciplined. This will inculcate the disciplined

environment in the enterprise.

(iv) Compassion: Passion is what required by an entrepreneur for the growth and development of the enterprise.

#### MORE QUESTIONS SOLVED

##### I. VERY SHORT ANSWER TYPE QUESTIONS

Question 1. Around what human life is built?

Answer: Human life is built around work.

Question 2. Every person is engaged in some kind of activity. Why?

Answer: Humans have recurring needs and wants. Every person is engaged in some kind of activity with a view to earn his living and satisfy the material and social requirements.

Question 3. What is the symbol of human life?

Answer: Activity, a symbol of human life

Question 4. What are economic activities?

Answer: Economic Activities: Those activities which are undertaken to earn monetary gains are called economic. It includes production, distribution and consumption of goods and services.

Question 5. What are non-economic activities?

Answer: Non-Economic Activities: Those activities which are done out of love, care, affection, self-satisfaction, emotions, sympathy, patriotism, etc. but not for money are known as non-economic activities.

Question 6. What is Profession?

Answer: According to Webster's Dictionary.

"Profession is that occupation in which one professes to have acquired specialized knowledge, which is used either in instructing, guiding or advising others,".

Question 7. What is employment?

Answer: Employment is an activity in which an individual works regularly for others and get remuneration/compensation in return, undertaking personal services as per the agreement of employment.

Question 8. What is Business?

Answer: Business may be defined as "an activity in which different persons exchange something of value whether goods and services for mutual gain or profit." — Peterson and Plowman

Question 9. Entrepreneurial activities can be divided into which major categories?

Answer: Entrepreneurial activities can be divided into three major categories: Manufacturing, Trading and Service.

Question 10. Business either produces or procures goods and services for offering them to consumers. Which are those goods or services?

Answer: They could be:

- (i) Consumers goods
- (ii) Producers goods
- (iii) Services.

Question 11. Entrepreneur is involved in which activities?

Answer: An entrepreneur can be involved in manufacturing, trading or in service sector.

Question 12. What keeps a businessman vigilant and going?

Answer: Risk element keeps a businessman vigilant and going.

Question 13. Once selected, changing the 'form' of business is undesirable . Why?

Answer: Once selected, changing the 'form' of business is undesirable because it is quite complex, time consuming and costly affair.

Question 14. What do you mean by Joint Sector Enterprises?

Answer: It is a form of partnership between the private sector and the government where management is generally in the hands of private sector, and with enough representation on Board of Directors by the Government too.

Question 15. From the entrepreneur's point of view which are the most commonly opted out forms for starting a new venture?

Answer: From the entrepreneur's point of view the most commonly opted out forms for starting a new venture are:

- (i) Sole Proprietorship
- (ii) Partnership
- (iii) Company.

Question 16. What do you mean by Sole Proprietorship?

Answer: "Sole proprietorship is a business unit whose ownership and management are vested in one person. The individual assumes all risks of loss or failure of the enterprise and receives all profits from its successful operations."— Edward Elbourne.

Question 17. Define Partnership.

Answer: 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.

Question 18. Define Joint Stock Company.

Answer: Prof. L.H. Haney defines "A joint stock company is a voluntary association of individuals for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership."

Question 19. Name the forms of the 'Company' form of organisation.

Answer: An entrepreneur, under the 'Company' form of organisation has two choices to incorporate enterprise. These are:

- (a) Private Company
- (b) Public Company

Question 20. What is the main motive of co-operatives?

Answer: Mutual help is the main motive of co-operatives.

Question 21. Co-operative works on which principle?

Answer: Co-operative works with the principle of each for all and all for each.

Question 22. Define Joint Hindu Family/Firm (HUFs) as per the Hindu Law.

Answer: The HUFs "Is a family, which consists of male lineally descended from a common ancestor and included their wives and unmarried daughters."

Question 23. Define business plan.

Answer: A 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.

Question 24. What do you mean by organizational plan?

Answer: The organizational plan is that part of the business plan which describes the proposed venture's form of ownership.

Question 25. Which are the four Cs of Credit on which investors/lenders focus?

Answer: Four Cs of credit on which investors/ lenders focus are Character, Cash flow, Collateral and Equity Contribution.

Question 26. An entrepreneur has access to which forms of business venture?

Answer: The entrepreneur has access to following forms to choose as venture:

- (i) Sole proprietorship
- (ii) Partnership
- (iii) Joint Hindu Family
- (iv) Cooperative
- (v) Corporation.

Question 27. Various forms of business venture has important implications on which areas or aspects?

Answer: Various forms of business has important implications on:

- (i) Taxes
- (ii) Liability
- (iii) Continuity
- (iv) Financing
- (v) Ownership.

Question 28. Define Operation Plan.

Answer: Operation 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.

Question 29. Desired manufacturing results of operation plan are in which terms?

Answer: The desired results are in terms of:

- (i) Quantity
- (ii) Quality
- (iii) Time
- (iv) Place, and
- (v) Cost

Question 30. What does manufacturing cycle include?

Answer: Manufacturing cycle includes all the activities right from procurement of all materials to the shipping of finished goods.

Question 31. What is Routing?

Answer: Routing is a process which determining exact route or path a product/service has to follow right from raw material till its transformation into finished product.

Question 32. What is Scheduling?

Answer: Scheduling 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.

Question 33. What is Dispatching?

Answer: The process of initiating production in accordance with preconceived production plan is said to be dispatching.

Question 34. What is Follow-up?

Answer: Follow-up or expediting function relates to evaluation and appraisal of work performed.

Question 35. What is Inspection?

Answer: Inspection is the art of comparing materials, product or performance with established standards.

Question 36. What is Shipping?

Answer: Shipping is a process that describes the flow of

goods/services from production to the consumers.

Question 37. What is of paramount importance for the success of any organization?

Answer: Human resource is of paramount importance for the success of any organisation.

Question 38. What does manpower planning ensures?

Answer: Manpower planning ensures that enterprise has the right number of people, and the right kind of people with appropriate skills, at the right place and the right time to do work for which they are economically most suitable.

Question 39. An organisation's performance and productivity is directly proportional to what?

Answer: An organisation's performance and resulting productivity are directly proportional to the quantity and quality of its manpower.

Question 40. How to procure personnel?

Or

How can an enterprise procure personnel?

Answer: Any enterprise can procure personnel through: (a) Recruitment (b) Selection (c) Training.

Question 41. What is the objective of Human resource plan?

Answer: Procurement of "Right man, at right job, at right time" is the objective of Human Resource plan.

Question 42. 'Where have we been', this question focuses on what aspects of marketing plan of a new venture?

Answer: It focuses on some history of the market place, marketing strengths and weaknesses of the new venture and market opportunities and threats.

Question 43. The question 'Where do we want to go' addresses to which thing on an enterprise?

Answer: This primarily addresses the marketing objectives and goals of the enterprise in the next twelve months or the near future.

Question 44. A financial plan is a projection of which financial data?

Answer: Financial plan is a projection of key financial data about:

(i) The potential investment commitment needed for the new venture, and

(ii) Economic feasibility of the enterprise.

Question 45. In general, the financial plan will need how many years of projected financial data to satisfy any outside investors?

Answer: The financial plan will need three years of projected financial data to satisfy any outside investors.

Question 46. What lends credibility to the potential success of the new venture.

Answer: Reasonable profit with conservative estimates lends credibility to the potential success of the new venture.

Question 47. What is the difference between Profit and Cash flow?

Answer: Sales minus expenses, is profit whereas cash receipts minus cash payments, is cash flow.

Question 48. What is abatement cost?

Answer: Abatement costs is the cost of controlling the environmental damage by a firm.

Question 49. What is PAN?

Answer: Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued by the Income Tax Department.

Question 50. What is a service tax?

Answer: Service tax is a tax on Services and is levied on the transaction of certain services specified by the Central Government under the Finance Act, 1994.

Question 51. What is VAT?

Answer: VAT is a system of taxation, in which tax is levied on value addition at each stage of transaction in the production/' distribution chain.

Question 52. What is Custom duty?

Answer: Custom Duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India.

Question 53. Who is liable to pay service tax?

Answer: Normally, the person who provides the taxable service on receipt of service charges is responsible for paying the Service Tax to the Government.

Question 54. What is TIN?

Answer: Tax Payer's Identification Number (TIN) consists of 11 digit numerals throughout the country. Its first two characters represent the State Code and the set-up of the next nine characters can vary in different States. It is for identification/ registration of dealers under VAT.

Question 55. How is Excise duty different from Sales Tax?

Answer: Sales Tax is different from the Excise duty as excise is a tax on the act of sale while the sales is a tax on the act of manufacture or production of goods.

Question 56. Who must apply for TAN?

Answer: All those persons who are required to deduct tax at source or collect tax at source on behalf of Income Tax Department are required to apply for and obtain TAN.

Question 57. Define Planning.

Answer: Planning, is thinking in advance what is to be done when it is to be done, how it is to be done and by whom it should be done.

Question 58. Define co-operative as per the Indian Co-operative Societies Act, 1912.

Answer: The Indian Co-operative Societies Act, 1912 defines co-operative in Section 4 as, "Society which has its objectives of the promotion of economic interests of its members in accordance with co-operative principle."

Question 59. What is production?

Answer: Production is transformation of raw material into finished product with the help of energy, capital, manpower and machinery.

Question 60. Distinguish between 'Sales Tax' and 'Excise Duty'.

[CBSE Delhi 2015]

Answer: Sales tax is levied on the sale of the commodity which is sold for the first time. Excise duty is a tax on manufacture/ production or import of goods.

Question 61. List any two categories of persons that are required to obtain registration from 'Central Excise Department'. [All India 2015]

Answer: Following categories of persons that are required to obtain registration from 'Central Excise Department':

- (i) Every manufacturer of dutiable excisable goods.
- (ii) First and second stage dealers or importers desiring to issue cenvatable invoices.
- (iii) Persons holding bonded warehouses for storing non-duty paid goods.
- (iv) Persons who obtain excisable goods for availing end-use based



exemption.

Question 62. Distinguish between a 'Joint Stock Company' and a 'Joint Hindu Family Business' on the basis of 'liability of its members'. [All India 2015]

Answer: In case of a Joint Stock Company the liability of members is limited whereas in case of HUF liability of karta is unlimited and that of other members is limited.

Question 63. What is meant by 'mutual agency of partners'? [CBSE Sample Paper 2016]

Answer: The business of partnership can be carried on by all partners or any one of them acting for all.

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