



## TEXTBOOK QUESTIONS SOLVED

Question 1. Answer each of these questions in about 15 words:

1. What is an Enterprise?
2. Who is an Entrepreneur?
3. Who plays the role of an entrepreneur in a socialist country?

Answer:

1. An enterprise is the business organization that is formed by an individual and group of individuals, which brings all required resources together for the production of goods and services.
2. An entrepreneur is an innovator, generator of job and wealth, risk taker, an excellence seeker, goal oriented, appreciates quality of persistence, has creativity, sets up an organization to build something of value.

(or)

Joseph. A. Scumpeter defines an entrepreneur as a person who innovates, raises money, assembles inputs, chooses managers and sets the organization going with his ability to identify opportunities which others are not able to identify and is able to make use of them.

(or)

Entrepreneur is an individual who undertakes the formation of an organization for the commercial purpose by recognizing the potential demand for the goods and services and act as an agent to transform the demand into supply.

(or)

The entrepreneur is anyone who has the capacity and willingness to undertake conception, organization, and management of a productive venture with all attendant risks, while seeking profit as a reward.

3. The State (Government) plays the role of an entrepreneur in a socialist country.

Question 2. Answer each of these questions in about 50 words:

1. Explain any two advantages of being an Entrepreneur.
2. Explain any two disadvantages of being an Entrepreneur.
3. Differentiate between entrepreneur and entrepreneurship.

Answer:

1. Following are the two main advantages of being an entrepreneur:  
Excitement: Due to its high capacity for risk, there is a lot of adventure for example, Steve Jobs left his position in Apple Inc, and started Pixar, which later turned out to be a successful venture.  
Originality: Some feel that they can offer a new service or product that no one else has offered before, i.e., I-pod and I-pad.
2. Following are two main advantages of being an entrepreneur:  
Salary: Starting your own business means that you must be willing to give up the security of a regular pay check.  
Benefits: There will undoubtedly be fewer benefits, especially

when considering that your business will be just starting off.  
business will be just starting off.

3.

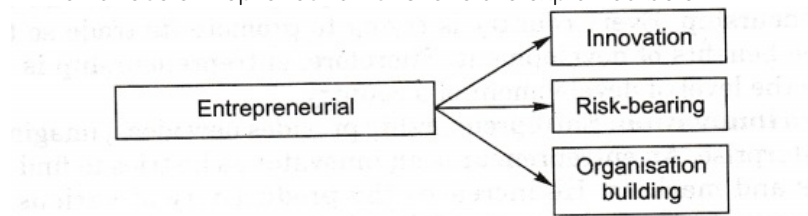
Entrepreneur	Entrepreneurship
An entrepreneur is a person who bears the risks, combines various factors of production and brings new ideas and carries out creative innovations.	Entrepreneurship is the set of activities performed by an entrepreneur.
An entrepreneur is an individual, responsible for identifying a business opportunity and taking it from idea to implementation i.e., one man activity.	It is a process involving various actions to be undertaken to establish enterprise. It involves multi-pronged activities.
Entrepreneurs are tangible people.	Entrepreneurship is an abstraction.
He/she is an individual or one of a group of individuals who try to create something new.	In entrepreneurship process an entrepreneur identify opportunities, organise all resources and find new market to foothold in the market and attain for long term gains. It is the attempt to create value.

Question 3. Answer each of these questions in about 150 words:

1. Describe entrepreneurial functions of an entrepreneur.
2. What is the need of entrepreneurship in an economy?
3. Mehak wants to start a textile unit near Gurgaon. Discuss the commercial function which will require to plan and perform for the same.
4. Explain any four managerial functions of an entrepreneur.
5. Explain any four promotional functions of an entrepreneur.

Answer:

1. The various entrepreneurial functions are explained below:



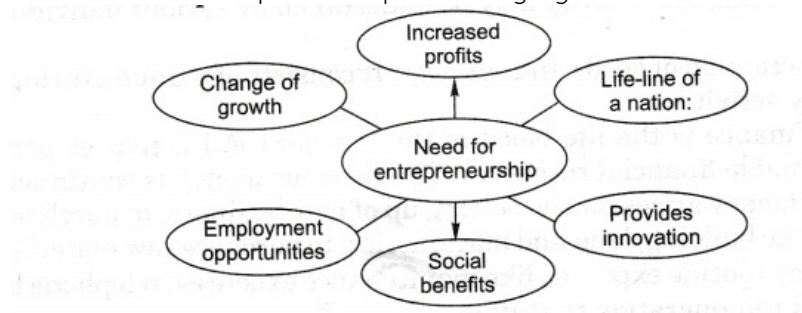
1. Innovation:

- It is a process of entrepreneurship. It involves the conversion of a useful idea into an application which has common value.
- As an innovator, the entrepreneur has to discover new opportunities, area of a new product, new methods of production, a new use for a product or service or a new way of integrating several uses in one product or service for optimum utilization of resources.
- An entrepreneur wants to experiment with new ideas,

facing uncertainty and therefore the process involves imagination, intuition and taking calculated risks.

- He/she foresees a potentially profitable opportunity and tries to exploit it.
  - Example: I-Pod, Smart phones, Induction cook top, etc.
2. Risk-taking/Risk bearing:
- Risk may be defined as the condition of not being able to predict the outcome of an activity.
  - It refers to taking responsibility for a loss that may occur due to unforeseen contingencies in the future.
  - An entrepreneur reduces uncertainty in his/her plan of investment, diversification of production and expansion of the enterprise.
  - He/she is a self-confident and highly optimistic person, willing to assume the risks involved in innovations, new ventures and expansion of an existing venture.
  - An entrepreneur need to take calculated risk and he tries to minimise by his initiative, skills and good judgement.
3. Organisation Building:
- Organisation refers to the bringing together of the various factors of production, ensures continuing management and risk-bearing function.
  - The purpose is to allocate the productive resources in order to minimise losses and reduce costs in production.
  - All decisions relating to an enterprise is taken by the entrepreneur. According to J.B Say an entrepreneur is a person who combines land of one, the labour of another and capital of yet another and thus produces a product. By selling the product in the market, he pays interest on capital, rent on land and wages to labourers and what remains he keeps as a profit.
  - He/she alone determines the lines of business to expand and capital to employ. Thus, an entrepreneur is the final judge in the conduct of his/her business.

2. The need for entrepreneurship can be highlighted thus:

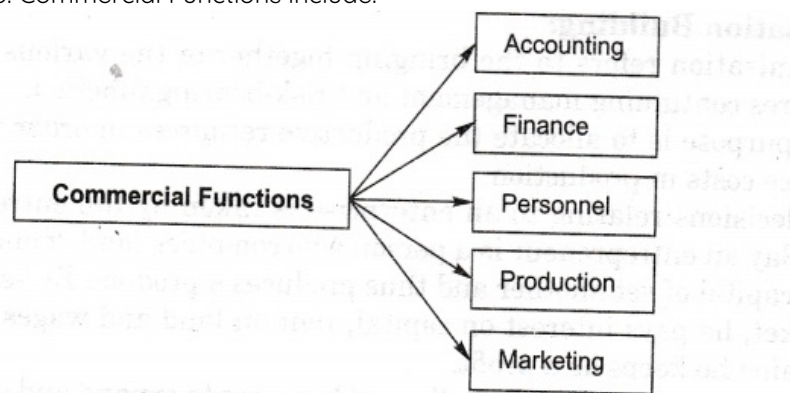


- Life-line of a nation: No country can progress without the development of entrepreneurship. Every country is trying to promote its trade so that it is able to share the benefits of development. Therefore, entrepreneurship is the yardstick to measure the level of development of a country.
- Provides innovation: Entrepreneurship provides new ideas, imagination and vision to the enterprise. An entrepreneur is an innovator as he tries to find new technology, products and markets. He increases the productivity of various resources. The entrepreneur stands at the centre of the whole process of economic development. He conceives business ideas and puts them into effect, to enhance the process of economic development.
- Change of growth /Inclusive growth: An enterprise operates in a changing environment. The entrepreneur moulds the enterprise in such a changing environment. The latter moulds not only the enterprise, but also alters the environment itself, to ensure the success of the enterprise. In order to meet the

challenge of automation and the complexities of advanced technology, there is a need for the development of entrepreneurship.

- **Increased profits:** Profits can be increased in any enterprise, either by increasing the sales revenue or reducing cost. To increase the sales revenue is beyond the control of an enterprise. Entrepreneurship, by reducing costs, increases its profits and provides opportunities for future growth and development.
- **Employment opportunities:** Entrepreneurship and its activities provide the maximum employment opportunities. More entrepreneurs provide more opportunities to large numbers of people which benefits growth of country. The growth in these activities bring more and more employment opportunities.
- **Social Benefits:** Entrepreneurship benefits both business enterprise and to the society at large. It raises the standard of living by providing good quality products and services at the lowest possible cost. It also makes the optimum use of scarce resources and promotes peace and prosperity in the society.

3. Commercial Functions include:



1. **Production:** The activities of production are independent of the size of the undertaking.
  - In a small concern, one person may be undertaking this function whereas, in large organisations, this activity may be undertaken by various individuals or separate teams.
  - It is the creation of goods and services. It consists of manufacturing, ancillary and advisory activities.
2. **Finance:** Finance is the life blood of the business. All activities performed on the basis of available financial resources. The need for money is continuous.
  - Need of money arises for the setting up of new business, to purchase various fixed capital like building, land and machineries, to purchase raw materials, payment for day to day routine expenses like maintenance expenses, telephone bills, electricity bills and remuneration to staff members.
  - The future capital is required for further expansion and development of an enterprise.
3. **Marketing:** It is primarily concerned with the movement of goods and services from the producer to the ultimate consumer. It is directed towards the satisfaction of consumer wants.

Marketing plays a significant role in promoting the well-being of the business enterprise.

So it is the role of the entrepreneur to strategically place his company in an advantageous position to secure the top position in the market.
4. **Personnel:** This function is concerned with employment, development and compensation for the personnel, the provisions of working conditions and welfare measures to

maintain a good work force in the organisation.

5. Accounting: It is defined as a systematic record of all business transactions and prepare necessary accounts required in the business the financial position of the enterprises. The entrepreneur should look into the record keeping of the entries of all transactions which take place in the organisation so that he/she is aware of his/ her financial position.

4. Planning: It is the basic managerial function of an entrepreneur.

- It helps in determining the course of action to be followed to achieve various entrepreneurial objectives.
- Planning is concerned with the mental state of the entrepreneur. It is decision-making in advance: what to do, when to do, how to do and who will do a particular task.

1. Organizing: Every business enterprise needs the service of a number of persons to look after its different aspects. The entrepreneur sets up the objectives or goals to be achieved by its personnel. The function of organizing is to arrange guide, co-ordinate, direct and control the activities of the factors of production.
2. Staffing: It means putting "people into jobs". The function involves making appointments for the positions created by the organisational process. This is achieved by identifying required work force, followed by recruitment, selection and placement of manpower, human resource development, promotion, transfer, appraisal development of personnel, determination of employee's remuneration.
3. Directing: Directing is telling people what to do and seeing that they do it to the best of their ability and ensures the effective performance by subordinates towards the accomplishment of group activities.
4. Leadership: It is the process by which an entrepreneur imaginatively directs/ guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organisation in such a manner that both will get the maximum satisfaction.
5. Communication: It has been established that entrepreneurs spend 75% to 90% of their working time communicating with others. It refers to the exchange of ideas, feelings, emotions, knowledge and information between two or more persons. Nothing happens in management until effective communication takes place.
6. Motivation: It is the psychological process of creating an urge among the subordinates to do certain things or behave in the desired manner. A sound motivational system must be productive, competitive, comprehensive and flexible, and it must consider the psychological, social, safety, ego and economic needs of the worker.
7. Supervision: The entrepreneur has to see that the given instructions are carried out in a systematic way. Supervision refers to the job of overseeing subordinates at work to ensure the maximum utilisation of resources, to get the required and directed work done, and to correct the subordinates whenever they go wrong.
8. Co-ordination: It is one of the most important functions, as it is essential to channelize the activities of various individuals in the organisation, for the achievement of common goals. The entrepreneur has to make sure that the work of different segments is going according to pre-determined targets and corrective measures have to be initialised if there is any deviation.
9. Controlling: Control is the process which enables the entrepreneur to get his/her company's policies implemented and take corrective action if performance is not according to

the predetermined standards. The process begins with establishing standards of performance, measuring actual performance, comparing the actual performance with the standard, finding variations and finally, taking corrective action.

5. Discovery of an idea: The entrepreneur visualizes ideas often construed as mental representation and convert this idea into opportunities by using skill, talent and use it for a particular type of business to earn maximum profits out of it. The idea may be to exploit new areas of natural resources, more profitable venture, or an existing line of business. He/she develops the idea with the help of various experts in the field. For example, Karsan Bhai Patel, the creator of Nirma Washing Powder, who was working as a factory chemist in Gujarat Mineral Development Corporation, started making detergent powder in his kitchen for poor rural women of Gujarat and selling his product by visiting different villages. His efforts culminated in the whitish yellow detergent powder named Nirma. The idea behind was need and the problem of the society that could not afford other brands of detergent powders because of their high cost. Today, Nirma is one of the world's biggest detergent powder manufacturer. The brand sells over 8 lakh tonnes annually. It holds 40% of the Indian market, with a turnover of more than Rs. 2500/- crores. This is creative effort and risk taking ability of a person who turned out to be an entrepreneur. The strength of being capable is the phis point of an entrepreneur.

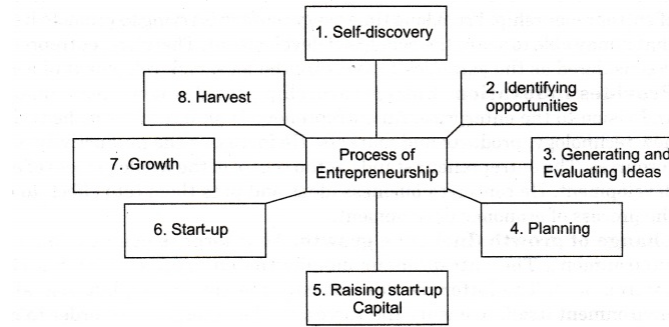
1. Detailed Investigation: Market research/surveys helps an entrepreneur to yield a valuable data about trends of total demand and supply of a product, consumer taste and preferences. The entrepreneur will estimate the total demand for the product. He/ she arranges required finances for the venture, along with the availability of power, labour, raw materials and machinery. The estimates of all resources should be based on proper analysis of various factors.
2. Assembling the Requirements: Assembling the required resources is a crucial activity of an entrepreneur. He approaches some more people like experts from various fields i.e., technical," financial, marketing, production and legal to join him on board. He may also be required to acquire some patent rights if he has invented something new. The entrepreneur selects the factory location, land, decides about plant and machinery and contacts suppliers of raw materials. Preliminary contracts are finalised and project is set to begin.
3. Financing the Proposition: The entrepreneur decides about the capitalisation capital structure of the enterprise with the help of predetermined objectives.
  - Determine the amount of capital to be raised,
  - The sources from which money will come up are determined,
  - Long term and short term financial requirements are estimated, and
  - The type of source of funds is also decided-share, debenture, loan, etc.For example, when Narayana Murthy started Infosys in 1981, he had no capital and his wife Sudha Murthy gave him ? 10,000/- which she had saved for a rainy season.

Question 4. Answer each of these questions in about 250 words:

1. Describe the process of entrepreneurship.
2. What is the need of entrepreneurship in an economy? Give at least six benefits.

Answer:

1. Process of Entrepreneurship can be seen in the following way:



Enterprises are as different and unique as the entrepreneurs who create them, most of them appear to work through a process. The diagram given below describes the process through which most of them create their enterprise:

- Self-discovery:  
Entrepreneur enjoys doing different things and learn out of it.  
Examine their strengths and weaknesses.  
Understand his abilities, talent, knowledge and feelings relating it to potential opportunities.
  - Identifying opportunities: Entrepreneur see for needs, wants, problems, challenges and craft opportunities that other people miss or that are not yet being met and convert it into different forms effectively.
  - Generating and evaluating ideas: He uses his creativity, conscious endeavour and past experience to collect ideas from different sources and find out a creative and innovative solution and ends as a creative venture.
  - Planning: Making a written business plan including requirement of financial resources, human resources, technical resources, material resources according to size of business, prepares applicable marketing strategies and turn the idea into a viable venture.
  - Raising Start-up capital: Using the business plan to attract investors, venture capitalists and partners. This stage can involve producing prototypes or test-marketing services.
  - Start-Up: Entrepreneurs launch the venture as per the requirement, need, taste and preferences of a customer, and keep a margin of flexibility in marketing strategy and operational plans as required.
  - Growth: Time to time scanning of environment, making sure of constant flow of ideas, by adapting to new, different strategies, different economic policies, changing technology, innovation diversification facilitate growth and expansion.
  - Harvest: Harvesting is the final phase in the entrepreneurial value creation , process were the owners can simply sell the business and reap the value of their investment in the firm and harvesting the rewards.
2. In recent decades the role of an entrepreneur has been considered of very great significance in accelerating the pace of growth and economic development in both the developed and developing countries.
- The need for entrepreneurship can be highlighted thus:
- Life-line of a nation: Country's progress can only be possible with the development of entrepreneurship. From long time every country is trying to promote its trade so that it may able to share the benefits of development. Therefore, entrepreneurship is considered as the yardstick to measure the level of development of a country.
  - Provides innovation: Entrepreneurship provides new

ideas, imagination and vision to the enterprise. An entrepreneur is an innovator as he tries to find new technology, products and markets. He increases the productivity of various resources. The entrepreneur stands at the centre of the whole process of economic development. He conceives business ideas and puts them into effect, to enhance the process of economic development.

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- Employment opportunities: Entrepreneurship and its activities provide the maximum employment potential. Large numbers of persons are employed in entrepreneurial activities in the country. The growth in these activities bring more and more employment opportunities.
- Social benefits: It is not only beneficial to the business enterprise, but to the society at large. It raises the standard of living by providing good quality products and services at the lowest possible cost. It also makes the optimum use of scarce resources and promotes peace and prosperity in the society.

#### Application -Based Exercise:

1. Shivi, a dropout from 10th std is forced by her mother to start working as help. Shivi agrees on the condition to do only “cooking” in 2-3 houses. One family turns out to be Punjabi, other Gujarati and the third one is Rajasthani. She cooked their kinds of food for an year and to everyone’s surprise, she expressed her desire to open up a small eating joint of her own. All alone, determined, she finally opens “Apna Bhoj”, a small eating joint with her savings and it became a hot spot because of the fusion food platter being offered. Do you think Shivi is an entrepreneur? Give reasons for your answers.
2. Karan, a rural boy, identifies the potential of organic farming in the village. He meets the zonal agricultural officer, who, looking at the determination of this 20 years old, helps him arrange and procure multiple resources required for his farm land. Then Karan takes a loan of Rs. 50,000/- from SBI as his seed money of Rs. 10,000/- is not enough to cater the requirement. Karan ties up with a nearby city’s vegetable shop owner to sell his yield. His hard work pays and the organic vegetables are a hit. This organic vegetable producer exhibits to be a good entrepreneur with good entrepreneurial skills. Do you agree? Justify giving reasons for your answer.

#### Answer:

1. Yes, Shivi is an entrepreneur.
  - Shivi’s one year occupational experience provides her confidence to start her own business.



- Is converted her hobbies into reality by sheer hard-work and application of mind.
  - Her desire to work independently and potential efforts, helped her to reduce the element of uncertainty.
  - Is innovative.
  - Understanding of the area/market in which she is going to start her business.
  - She is a creative entrepreneur as, she has taken initiative and created an opportunity for innovation, experimentation and production.
  - Her competitiveness which means willingness to compete honestly with others and providing quality product and services and reduction in price.
  - She is an innovator of ideas, products, practices, services to meet the perceived opportunity, a lot of effort has done by Shivi to convert her dream into reality
  - Is a moderate risk taker and works under uncertainty for achieving the goal.
  - Is a persuader of deviant pursuits.
  - Her vision, original idea, decision-making exhibit a sense of leadership.
  - Reflects a strong urge to be independent.
  - Persistently tries to do something better.
  - Is dissatisfied with routine activities.
  - Is prepared to withstand the hard life.
  - Exhibits a sense of leadership.
  - Takes personal responsibility. „
  - Is oriented towards the future.
  - Tends to persist in the face of adversity.
2. For Self Attempt.

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