



Application Based Exercise

Question. (i) Shraddha wants to start an Agro-based unit in Solan. What is she required to do to acquire a competent workforce for her proposed plant?

(ii) Suruchi is planning to establish a small scale export factory. To ensure that she is neither short of or in excess of capital, guide her how to go about for financial resources.

(iii) Mr. Nair, while planning for the financial requirement, overlooked the use of Technology in Production. What loss can befall on society because of his act of ignorance.

(iv) Mukesh is planning to establish a restaurant at Connaught Place, Delhi. What patterns of capital structure are available to him? Give reasons.

(v) Shalini plans to set up a Printing Press in Ludhiana. She looks upto her cousin Amit, who is successfully running a similar unit in Jaipur, for all possible help, guidance and suggestions. What kind of mentoring is this?

(vi) Malti, wants to commence a Blue Pottery Enterprise. Before starting, multiple information is required as a part of her systematic planning. Discuss the methods available to her to collect the required data.

Answer:

(i) People required for various positions throughout the enterprise gets affected by:

(a) Finding out the total amount of works to be done and then dividing it into different sets of activities.

(b) The total number of tasks and jobs required to be accomplished under different activities.

(c) How much work can the average person do in a specified period of time?

(d) Level of absenteeism expected.

(e) Level of labour turnover.

(f) The present number of employees.

(g) The future plans for expansions, diversification and growth.

(ii) It refers to a small scale industry unit can be known as export-oriented unit if it exports more than 50% of its production. Such type of units have the benefit like subsidy offered by the government.

The Ministry of MSME & ARI will bring out a specific list of hi-tech and export oriented industries which would require the investment limit to be raised upto Rs. 5 crores to admit of suitable technology up gradation and to enable them to maintain their competitive edge. These method will ensure that she is neither short of or in excess of capital, guide her how to go about for financial resources.

(iii) The capital requirement of a business enterprise can broadly be classified into two main categories. They are:

(i) Fixed capital requirements (ii) Working capital requirements.

In general the technology to be used in production can be of two types

1. Capital-intensive Technique: It refers to more amount of capital required to start a business like machineries.

2. The labour-intensive technique refers to more number of labour to start the business. While planning for the financial planning technology in production to be used is one of the important decision taken by an entrepreneur and the financial requirements

depends on a number of factors, the most important being the size of the enterprise, the industry group in which it operates and the nature of the technology employed. In general, small enterprises tend to have lower relative requirements for fixed as against working capital because of the high degree of labour intensity and if it a large scale industries the fixed capital requirement. Requirement is more as compared to working capital requirement as more investment in fixed assets. The fixed capital requirement should be correctly assessed and financed carefully for the smooth running of enterprise.

(iv) Capital structure is the composition or mix of different types of long-term capital whether owned or borrowed. It includes all the long term funds consisting of share capital, debentures, bonds, loans and reserves.

The patterns of financing, i.e. deciding about the types of securities to be issued for raising the necessary funds is what capital structure determines.

Patterns of capital structure are available to him.

In case of a new company, the capital structure may be of any of the following patterns:

Patterns	Reasons		
(1) Equity shares only	1. Equity results in sharing of the ownership with the investors. 2. It's a permanent source of raising finance. 3. No fixed obligation in the form of dividend payment. 4. No charge over assets. 5. Maximum controlling rights through voting power.		
(2) Both equity and preference shares	1. Equity results in sharing of the ownership with the investors. 2. It's a permanent source of raising finance. 3. No fixed obligation in the form of dividend payment. 4. No charge over assets. 5. Maximum controlling rights through voting power.	1. Preference results in sharing of the ownership with the investors. 2. It's a permanent source of raising finance paid before the payment of equity capital. 3. Fixed obligation in the form of dividend payment. 4. No charge over assets. 5. No controlling in the management and rights through voting power.	
(3) Equity and Debentures	1. Equity results in sharing of the ownership with the investors. 2. It's a permanent source of raising finance. 3. No fixed obligation in the form of dividend payment. 4. No charge over assets. 5. Maximum controlling rights through voting power.	Debentures are a form of loan stock, legally defined as the written acknowledgement of a debt incurred by a company, there is a provision about the payment of interest and repayment of the borrowed loan timely.	
(4) Equity, preference and debentures	Equity Share	Preference Shares	Debentures
	Permanent owners they get dividend at last after the payment of preference shares.	Some are permanent but redeemable preference shares are paid on.	Creditors of the company.
		First preference for the payment of dividend at fixed rate.	First preference for the payment of interest at the fixed rate.

(v) It is a type of informal mentoring—Peer mentoring.

Informal mentoring is a voluntary relationship. In this the satisfaction and personal rewards a mentor gains from an effective mentoring relationship. They are free to withdraw from it if it becomes unproductive or onerous. The mentored individual can, therefore, enjoy the advantages of the mentor relationship without guilt. The starting point is to be very clear on how a mentor could help you at this point in your career. What specifically do you need? This will be personal to your circumstances but might include one or more of the following:

As he assist in her for preparation of documentation and other help

- Personal-a mentor provides both professional and personal support
- Career direction/guidance
- How to handle office politics?
- Options for skills development
- Professional/technical help
- Support through a decision-making process
- Organisational information/knowledge
- Help a mentee to assess his/her areas of shortcomings and

- strengths, giving critical feedback to him in key areas
- Helps in identification, procurement and utilization of resources required for the proposed venture
- Provides consultation, and helps in coordinating activities aimed at accessing funds, new technologies, etc.

(vi) Methods of Collection:

The different methods of collecting data are as follows:

(a) Direct Personal Investigation: It refers to the method by which the investigator collects the information personally from the informants and the source concerned. It can be possible if field of investigation is limited. More degree of originality and accuracy is required.

(b) Indirect Oral Investigation: The investigator collects the information not from the original person but approaches certain sources which are close or to be known directly or indirectly to the informants.

- It can be more suitable, if the field of investigation is large.
- There is no possibility of direct contact.
- The concerned informants are not able to read and write.
- Mostly used in government departments.

(c) Local Correspondents: The investigator appoints local agents or correspondents in different parts of the area under investigation. Generally, they collect the information according to their skills and tactfulness and then submit it to the investigators.

- It is more suitable when regular and time to time information is required.
- Area has wide coverage.
- The availability of information is possible through magazine, journals, annual report.

(d) Mailed Questionnaire: It refers to the type prepared by the investigator keeping in view the objective of the inquiry and sends it to informants/respondents who post or e-mail. The informants fill it completely by himself and send it back to the investigator.

(e) Questionnaire through enumerators: The enumerators go to informants along with the questionnaire to help fill the questionnaire according to the answers given by the informants. It is also known as schedules.

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