



## TEXTBOOK QUESTIONS SOLVED

### A. VERY SHORT ANSWER TYPE QUESTIONS

Question 1. Give any two contents of business plan.

Answer: General introduction and Business venture.

Question 2. Who can write the business plan?

Answer: Any person(s) who wish to start a business venture can write the business plan.

Question 3. How many formats are available to design a successful business plan?

Answer: Three or four formats are available to design a successful business plan.

Question 4. What is the meaning of shipping in the process of operational plan?

Answer: Shipping is a process that describes the flow of goods/services from production to the final consumers.

Question 5. What is a proforma income statement?

Answer: Proforma income statement is a projected net profit calculated from estimated revenue minus projected costs and expense.

Question 6. What is break even analysis?

Answer: The break even analysis is a process of determining a point where firm neither makes profit nor a loss. At this point the total revenue is equal to the total cost of a firm at the given level of capacity.

Question 7. What is meant by a target market?

Answer: Target market refers to the specific group of potential customers whose needs the enterprise aims to fulfil.

Question 8. What is TAN?

Answer: TAN or Tax Deduction and Collection Account Number is a 10 digit alpha numeric number required to be obtained by all persons who are responsible for deducting or collecting tax.

### B. SHORT ANSWER TYPE QUESTIONS - I

Question 1. What is a Business Plan?

Answer:

- (i) 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.
- (ii) It is a 'road map' required by the venture to evolve from an early start up to a mature business.
- (iii) It workout all the relevant external and internal elements involved in starting a new venture and then running it successfully.
- (iv) It is a formal statement of a set of business goals to be achieved by the enterprise.

Question 2. What is elevator pitch?

Answer: Elevator pitch is a three minute summary of the business plan's executive summary. This is used to awaken the interest of potential funders, customers, or strategic partners.

It is common for start-ups to have three or four formats as follows for the same business plan and elevator pitch is one of it.

Question 3. What is a production plan?

Answer: Production plan is the planning of industrial operations involves four considerations, namely, what work shall be done, how the work shall be done and lastly, when and by whom the work shall be done. Production being a highly complex and tedious process in nature, the manufacturing operations needs to be well planned through production plan.

Question 4. Name the factors which affect the operational plan.

Answer:

Operation plan is affected by:

- (a) Nature of venture
- (b) Type of product/service
- (c) Scale of operation, and
- (d) Technology involved

Question 5. How many services of funds are there for arranging the fund for business enterprises?

Answer:

Sources of funds for business for any enterprise are from:

- (i) Owners i.e. Owner's funds
- (ii) Outsiders i.e. borrowed funds

#### C. SHORT ANSWER TYPE QUESTIONS-II

Question 1. Briefly, explain the objectives of operational plan.

Answer: Following are the objectives of operation plan:

- (i) Advance production: For production in advance of operations,
- (ii) Exact route: Establishing the exact route of each individual item, part of assembly,
- (iii) Dates: Setting, starting and finishing dates for each important assignment/ work.
- (iv) Orderly movement of goods:Regulating the orderly movement of goods through the entire manufacturing cycle i.e. right from procurement of all materials to the shipping of finished goods.

Question 2. Describe the contents of organizational plan.

Answer: Organizational plan includes the following:

- (i) The terms and conditions associated with the selected form.
- (ii) Lines of authority and responsibility of members of the new venture.
- (iii) The names, designation, addresses and resumes of the members.
- (iv) Stake of members in the organization.
- (v) Roles and responsibilities of each member.
- (vi) Procedure for solving conflicts/ disputes amongst members.
- (vii) Forms of payment for the members of the organization.
- (viii) Voting rights, managerial and controlling rights of the members.

Question 3. Which common techniques are required to calculate the forecasting income?

Answer: Following are the most commonly adopted techniques for forecasting:

- (i) Marketing research
- (ii) Industry sales
- (iii) Survey of buyers'intentions
- (iv) Expert opinions
- (v) Financial data on similar start-ups
- (vi) Some trial experience of self or others.

Question 4. Write the steps in preparing the marketing plan.

Answer: Procedure for preparing the marketing plan involves following steps:

- (i) Business Situation Analysis
- (ii) Identify the Target Market
- (iii) Conduct Swot
- (iv) Establish Goals
- (v) Define Marketing Strategy

Question 5. What is PAN? Why is it required?

Answer: Permanent Account Number (PAN) is a ten-digit alphanumeric number, issued by the Income Tax Department. It is required because it enables the department to link all transactions of the enterprise with the department. These transactions include tax payments, TDS/ TCS credits, returns of income/wealth/ gift/ FBT, etc.

#### D. LONG ANSWER TYPE QUESTIONS

Question 1. What is an operational plan? Discuss its blue print.

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. Wright Following are the elements of operation plan:

- (i) Routing: It is a process which determines the exact path a product has to follow right from raw material till its transformation into finished product.
- (ii) Scheduling: It means fixation of time, day, date when each operation is to be commenced and completed.
- (iii) Dispatching: It is the process of initiating production according to pre-conceived production plan. It involves issuing necessary orders instructions, guidelines, etc.
- (iv) Follow-up: It relates to evaluation and appraisal of work performed. A properly planned follow-up procedure is helpful in finding errors and defects in the work.
- (v) Inspection: Inspection is the art of comparing materials, product or performance with established standards. This helps to set up laboratories or evolve methods to ensure predetermined quality of product.
- (vi) Shipping: It describes the flow of goods/services from production to the consumers. It is a detailed presentation by the entrepreneur explaining the chronological steps in completing a business transaction efficiently and profitably.

Question 2. Define organisational plan. A business can be clarified in how many categories?

Answer: Organizational plan is a part of the business plan that describes the proposed venture's form of ownership.

Business can be classified as:

- (i) Manufacturing business—making of a tangible product.
- (ii) Wholesale business—buying of products in bulk from the manufacturers to be sold in smaller lot to retailers.
- (iii) Retail business—selling product directly to the final consumer for final satisfaction.
- (iv) Service business—selling intangible such as time or expertise.

Question 3. How many choices are there to start a business by a business man? Explain each of them.

Answer: Following are the choices available-to a businessman:

- (i) Sole proprietorship: 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.
- (ii) Partnership: 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.
- (iii) Joint Hindu family: Joint Hindu family or Hindu Undivided Family Business is a unique form of business organisation prevailing only

in India. The HUFs have been defined under the Hindu law "As a family, which consists of male lineally descended from a common ancestor and included their wives and unmarried daughters."

(iv) Co-operative organizations: Co-operation is a form of organisation where in persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interest of themselves." Its main motive is mutual help and works with the principle of 'Each for all' and 'All for each'.

(v) Corporation/Joint Stock Company: 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 4. What are the key areas to work a sound financial plan?

Answer: Following are the key areas to work a sound financial plan:

- (i) Financial requirements
- (ii) Sources of raising funds
- (iii) Exact assessment of the revenue, cost, profits, cash flow dynamics, stock of inventory loans, etc.

Question 5. What are the major financial items that should be included in the financial plan?

Answer: Following are the major financial items that should be included in the financial plan:

- (i) Proforma Investment Decisions
- (ii) Proforma Financing Decisions
- (iii) Proforma Income Statements
- (iv) Proforma Cash Flow
- (v) Proforma Balance Sheet
- (vi) Break-even analysis
- (vii) Economic and Social Variables

#### E. VERY LONG ANSWER TYPE QUESTIONS

Question 1. What is a business plan? Explain the importance of 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.

The business plan:

- (i) Viability: It helps in finding the viability of the venture in a designated market
- (ii) Guidance: It helps in providing guidance to the entrepreneur in organizing, planning activities as such:
  - (a) identifying the resources required
  - (b) enabling obtaining of licenses if required, etc.
  - (c) working out with legal requirements.
- (iii) Queries: It helps in satisfying the queries, and issues of each group of people interested in the venture.
- (iv) Evaluation: It provides room for self assessment and self-evaluation.
- (v) Planning: It helps entrepreneur to plan ways to avoid obstacles.
- (vi) Obstacles: It helps to realize the obstacles which cannot be avoided or overcome, suggesting to stop the venture while still on paper without investing further time and money.
- (vii) Credit history: It reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested.

Question 2. Describe the different elements of operational plan.

Answer: Following are the elements of operation plan:

- (i) Routing: It is a process which determines the exact path a product has to follow right from raw material till its transformation into finished product.
- (ii) Scheduling: It means fixation of time, day, date when each operation is to be commenced and completed.

- (iii) Dispatching: It is the process of initiating production according to pre-conceived production plan. It involves issuing necessary orders instructions, guidelines, etc.
- (iv) Follow-up: It relates to evaluation and appraisal of work performed. A properly planned follow-up procedure is helpful in finding errors and defects in the work.
- (v) Inspection: Inspection is the art of comparing materials, product or performance with established standards. This helps to setup laboratories or evolve methods to ensure predetermined quality of product.
- (vi) Shipping: It describes the flow of goods/services from production to the consumers. It is a detailed presentation by the entrepreneur explaining the chronological steps in completing a business transaction efficiently and profitably.

Question 3. What is a financial plan? What are its objectives?

Answer: Financial plan is a process of determining firm's financial needs or goals for the future and the means to achieve them.

Objectives of financial plan:

- (i) To assess the amount of finance needed by enterprise.
- (ii) To develop suitable capital structure for the enterprise.
- (iii) To make the policies related with the finance for the enterprise.
- (iv) To safeguard the enterprise for financial risk.

Question 4. Explain the investment decision under the financial plan.

In which areas the investment should be done on the basis of priority?

Answer: Enterprise's funds are invested in different assets so that the enterprise is able to earn the highest possible returns on investment.

An estimate of fixed assets and of working capital should be clearly mentioned. Investment is required for:

- (i) Land and Building
- (ii) Machinery and Plant
- (iii) Installation Cost
- (iv) Preliminary Expenses
- (v) Margin for working capital
- (vi) Expenses on research and development
- (vii) Investment in short-term assets viz. raw material, level of cash, etc.

Question 5. What is manpower planning? Why is it necessary for every business unit?

Answer: Manpower Planning is a process by which an entrepreneur ensures that he/ she has the right number of people, and right kind of people, at the right place and the right time to do work for which they are economically most suitable. Manpower planning is necessary for every business unit because it helps to assesses:

- (i) What kind of people are required?
- (ii) How many people are required?
- (iii) How will they be selected?

Question 6. What is a marketing plan? Why it is required in business enterprises?

Answer: Marketing plan is a guideline regarding the marketing objectives, strategies and activities to be followed by the new enterprise. It represents a significant element in the business plan for a new venture as it effectively establishes how the entrepreneur will complete and operate in the market place by providing answers to three basic questions: where have we been, where do we want to go and how do we get there.

Marketing plan is required because it describes the strategies related to how:

- (i) Products/Services will be distributed,
- (ii) The product will be priced
- (iii) The product will be promoted.

Question 7. Explain in detail the various formalities required to start a business.

Or

Aman has decided to start a small leather belt manufacturing unit. He is not aware of the various formalities involved in the process of setting up the unit. Explain to him the procedure. (HOTS)

Answer: Various formalities for starting a business in India include the following :

(i) Obtain PAN Number from Income Tax Department:

(a) Permanent Account Number (PAN) a ten-digit alphanumeric number, issued by the Income Tax Department enables the department to link all transactions of the person with the department.

(b) These transactions include tax payments, TDS/TCS credits, returns of income/wealth/gift/EBT, specified transactions, etc.

(c) It is mandatory to quote PAN in all documents related to financial transactions like sale or purchase of any immovable property valued at five lakh rupees or more, sale or purchase of a motor vehicle or vehicle, a time deposit, exceeding fifty thousand rupees, with a banking company, a deposit, exceeding fifty thousand rupees, in any account with Post Office Savings Bank, a contract of a value exceeding one lakh rupees for sale or purchase of securities, etc.

(ii) Open a Current Account in any Commercial Bank:

(a) Any person(s) competent to contract and satisfactorily introduced to the Bank may open an account in his/her own name.

(b) Accounts can be opened for sole proprietorship firms, partnership firms, private limited and public limited companies, Joint Hindu families, trusts, clubs, associates, etc.

(c) Accounts can be opened by minors of 14 years and above, if able to read and write, (a) Various documents related to firm are also to be provided.

(iii) Register a Limited Liability Partnership (LLP): Limited Liability Partnership (LLP)

(a) The Limited Liability Partnership (LLP) is an alternative corporate business vehicle which provides the benefits of limited liability but allows its members the flexibility of organizing their internal structure as a partnership based on a mutually arrived agreement.

(b) The LLP form enable entrepreneurs, professionals and enterprises providing services of any kind or engaged in scientific and technical disciplines, to form commercially efficient vehicles suited to their requirements.

(c) It is governed by the provisions of the Limited Liability Partnership Act, 2008.

(d) TO register an Indian LLP, firstly apply for a Designated Partner Identification Number (DPIN), which can be done by filing e-Form.

(e) Acquire the Digital Signature Certificate (DSC) and register the same on the portal. This is the only secure and authentic way that a document can be submitted electronically.

(f) All filings done by the LLP(s) are required to be filed with the use of Digital Signatures by the person authorised to sign the documents.

(g) Thereafter, entrepreneur need to get the LLP name approved by the Ministry.

(h) Once the LLP name is approved, entrepreneur can register the LLP by filing the incorporation form.

(iv) Register Company (Pvt. Ltd/ Public Limited Company): The following steps are involved in incorporating a private or public company in India:

(a) Name of the Business Entity

(b) Register for e-filing at MCA (Ministry of Corporate Affairs) portal

(c) Apply for Director Identification Number (DIN)

(d) Obtain Digital Signature Certificate (DSC)

(e) Register DSC at MCA website

- (f) Apply for approval of the name of the company
- (g) Formulate Memorandum of Association
- (h) Formulate Articles of Association
- (i) Verify, Stamp & Sign Articles of Association
- (j) Verify the various forms required for incorporation of company
- (v) Register for Service Tax:
  - (a) Service tax, an indirect tax, which normally the service provider pays the tax and recovers the amount from the recipient of taxable service.
  - (b) Normally, the person who provides the taxable service on receipt of service charges is responsible for paying the Service Tax to the Government.
  - (c) In the following situations, the receiver of the services is responsible for the payment of Service tax:
    - Where taxable services are provided by Foreign Service providers with no establishment in India, the recipient of such services in India is liable to pay Service Tax.
    - For the services in relation to Insurance Auxiliary Service by an Insurance Agent, the Service Tax is to be paid by the Insurance Company.
    - For the taxable services provided by a Goods Transport Agency for transport of goods by road, the person who pays or is liable to pay freight is liable to pay Service Tax, if the consignor or consignee falls under any of the seven categories viz. a factory, a company, a corporation, a society, a co-operative society, a registered dealer of excisable goods, a body corporate or a partnership firm.
    - For the taxable services provided by Mutual Fund Distributors in relation to distribution of Mutual Fund the Service Tax is to be paid by the Mutual Fund or the Asset Management Company receiving such service.
- (vi) Register for VAT/Sales Tax:
  - (a) VAT is a tax on the final consumption of goods or services and is ultimately borne by the consumer.
  - (b) The State Governments, through Taxation Departments, are carrying out the responsibility of levying and collecting VAT in the respective States.
  - (c) The Central Government is playing the role of a facilitator for the successful implementation of VAT.
  - (d) The entire design of VAT with input tax credit is crucially based on documentation of tax invoice, cash memo or bill.
  - (e) Every registered dealer, having turnover of sales above an amount specified, needs to issue to the purchaser serially numbered tax invoice with the prescribed particulars.
  - (f) This tax invoice is to be signed and dated by the dealer or his regular employee, showing the required particulars.
  - (g) For identification/registration of dealers under VAT, the Tax Payer's Identification Number (TIN) is used. Sales Tax: Sales tax is levied on the sale of a commodity, which is produced or imported and sold for the first time. If the product is sold subsequently without being processed further, it is exempt from sales tax. It is levied under the authority of both Central Legislation (Central Sales Tax) and State Governments Legislations (Sales Tax). Some states also levy additional tax, surcharge, turnover tax, etc. Sales tax is recovered from the buyer as a part of consideration for sale of goods. Under state Sales Tax ID number entrepreneur(s) collect and pay tax for any service or product sold, which, qualifies for taxation in the state.
- (vii) Excise Duty (If Applicable): Excise duty is a tax on manufacture or production of goods. "State Excise" duty and "Central Excise" duty are the two type of excise duty which are to be paid to state government and central

government respectively.

Subject to specified conditions, generally the following categories of persons are required to get themselves registered with the Central Excise department.

Subject to specified conditions, the various categories of persons need not obtain Central Excise registration.

Apply to the nearest Central Excise Division Office in Form A.I along with a self-attested copy of the PAN issued by the Income Tax Department. After post verification, a regular Registration certificate in form RC is normally issued immediately.

(viii) Shop and Establishment Act: Shop and Establishment Act is to provide statutory obligation and rights to employees and employers in the unorganised sector of employment, i.e., shops and establishments. 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. Taxable event is import into or export from India.

(x) File Entrepreneurship Memo-randum 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: Following permissions are required to be obtained from the government:

(a) Application for plot/shed, offer letter etc, Allotment of plot/shed, payment of balance occupancy price, taking over possession thereof, Application for issuance of NOC/ SSI registration, Execution of Lease Agreement, Application for grant of connection for construction water, Application for grant of connection for construction power.

(b) Post Construction Clearances: It includes: Building completion/ drainage completion/tree plantation certificate, Permission for mortgage, NOC from Pollution Control Board, Final Fire clearance, NOC from Environment department, Industrial safety permit, Sanction of permanent power, Sanction of permanent water and sewerage connection.

(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.

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