

BASED ON SYLLABUS OF DIPLOMA IN  
ENGINEERING, [EG 3201 MG] CTEVT.

## A COMPLETE NOTE

# ENTREPRENEURSHIP DEVELOPMENT



**Diploma in Engineering (III/II)**

Notes

Compile & Prepared by : **ASHOK CHAURAIYA**



[www.arjun00.com.np](http://www.arjun00.com.np)

## **Entrepreneurship Development** **EG 3201 MG**

**Year: III**

**Semester: II**

**Total: 5 Hrs. /week**

**Lecture: 3 Hrs./week**

**Tutorial: Hr./week**

**Practical: 2 Hrs./week**

**Lab: Hrs./week**

### **Unit 1: Introduction to Business & Entrepreneurship:**

**[9 Hrs.]**

- 1.1 Overview of entrepreneur and entrepreneurship
- 1.2 Wage employment, self- employment and business
- 1.3 Synopsis of types and forms of enterprises
- 1.4 Attitudes, characteristics & skills required to be an entrepreneur
- 1.5 Myths about entrepreneurs
- 1.6 Overview of MSMEs (Micro, Small and Medium Enterprises) in Nepal

### **Unit 2: Exploring and Developing Entrepreneurial Competencies:**

**[9 Hrs.]**

- 2.1 Assessing individual entrepreneurial inclination
- 2.2 Assessment of decision-making attitudes
- 2.3 Risk taking behavior and risk minimization
- 2.4 Creativity and innovation in business
- 2.5 Enterprise management competencies

### **Unit 3: Business identification and Selection:**

**[4 Hrs.]**

- 3.1 Sources and method of finding business idea(s)
- 3.2 Selection of viable business ideas
- 3.3 Legal provisions for MSMEs in Nepal

### **Unit 4: Business plan Formulation:**

**[18 Hrs.]**

- 4.1 Needs and importance of business plan
- 4.2 Marketing plan
  - Description of product or service
  - Targeted market and customers
  - Location of business establishment
  - Estimation of market demand
  - Competitors analysis
  - Estimation of market share
  - Measures for business promotion
- 4.3 Business operation plan
  - Process of product or service creation
  - Required fix assets
  - Level of capacity utilization
  - Depreciation & amortization
  - Estimation office overhead and utilities

- 4.4 Organizational and human resource plan
  - Legal status of business
  - Management structure
  - Required human resource and cost
  - Roles and responsibility of staff
- 4.5 Financial plan
  - Working capital estimation
  - Pre-operating expenses
  - Source of investment and financial costs
  - Per unit cost of service or product
  - Unit price and profit/loss estimation of first year
- 4.6 Business plan appraisal
  - Return on investment
  - Breakeven analysis
  - Risk factors

### **Unit 5: Small Business Management:**

**[5 Hrs.]**

- 5.1 Concept of small business management
- 5.2 Market and marketing mix
- 5.3 Basic account keeping



**\*\* This Note is for Educational Purpose Only.**

# **UNIT:- 1 Introduction to business and entrepreneurship**

## **1.1) Overview of entrepreneur and entrepreneurship:-**

→ An entrepreneur is a person who starts a new enterprises. He brings and organizes the factors of production together for the exploitation of opportunities from change. The factor may be capital, men, material, technology, equipments etc. Thus entrepreneur is an innovator who generate the ideas of the new business and bear the risk of operating the business activity.

An entrepreneur is always action oriented. He always work to convert the idea into action through the planning and resource mobilization. He presents himself as job creator not job seeker.

## **Entrepreneurship:-**

→ Entrepreneurship is the process of creating a new enterprises. It involves purpose full and systematic Innovation. It is the way of doing something new or different entrepreneurship in the creation of ideas which address the changing demand of customer. It is an important aspect for economic and social development. It develops new products and technology which increases the productivity of all section of society. It also involves exploration of opportunity. Some experts have defined entrepreneurship in their own word.

Some of them are as follows;

→ According to Drucker , “entrepreneurship is gathering and using resources to produce result. It is allocating resources to opportunity rather than problems”

## **1.2) Importance / Significance of Entrepreneurship:-**

→ Entrepreneurship is the process of creating new enterprise. It is regarded as the engine of economic development of a country. It is important for social and national development. Entrepreneurship is the primary engine of job creation and poverty reduction. Thus its major importance is as follows:

- a) Formation of capital.
- b) Employment generations.

- c) Balance regional development
- d) Equal distribution of wealth.
- e) Political stability.

### **a) Formation of capital:-**

- Capital is the most important resource for the economic development of a country. It involves physical Human and intellectual capital. Entrepreneurships promotes capital formation by mobilizing saving of the people.

### **b) Employment generation:-**

- Entrepreneurship involve starting new ventures by setting up a new enterprises. Entrepreneurs create employment for self as well as others. In this way, it create a job to other and uplift the economic development of the country.

### **c) Resource mobilization:-**

- Entrepreneurship involve identification and explanation of opportunity. They bring resources together and manage them to the create utilities in the form of goods and services. Effective resources mobilization enhance both production and productivity.

## **1.3) Synopsis of types and form of enterprises:-**

- Enterprise can be classified by different factors. The following are the major types and forms of enterprises:-
  - a) Industrial enterprises.
  - b) Business enterprises.
  - c) Service enterprises.
  - d) Agricultural enterprises.

### **a) Industrial enterprises:-**

- Industrial enterprises are engaged in manufacturing and selling products. These enterprises produce or make product and sell in the market to take its return. Such enterprises are small in nature where entrepreneurship use their innovative ideas and knowledge to produce product with right quality at reasonable cost.

### **b) Business Enterprises:-**

→ Business enterprises are also known as trading concern. Such enterprises are engaged in buying and selling of goods and service. These type of enterprises are related to trading concern and deals business activities through buying and selling of goods to the people.

**c) Service enterprises:-**

→ Such enterprises are engaged in service activities like repair, Consultancy, beauty parlor & doctor clinic, so on where the entrepreneur provides the services to the people.

**d) Agricultural Enterprises:-**

→ Such enterprises are engaged in agricultural activities such as horticulture, Floriculture, animal husbandry, poultry, fishing etc. This type of enterprises promotes agricultural activities and make economical development of the country.

**e) Political Stability :-**

→ Entrepreneurship promotes economic opportunity to the people.  
→ It further strength the democracy in nation, which results maintain political stability.  
→ All these helps to bring prosperity in a country.

**1.4) Qualities of entrepreneurship ‘or’ Attitude, characteristics, and skill required to be an entrepreneur:-**

→ An entrepreneurship is the person who starts a new enterprises. He brings and organizes the factors of production together for the exploitation of opportunity from change. The factors may be capital, man, material, technology, equipment's etc. Hence, he is an innovators. He is always action oriented. He assume himself as job creator not job seeker.

**Following are the important qualities of Entrepreneurs:**

- |                            |                |
|----------------------------|----------------|
| 1) Motivator               | 5) Risk bearer |
| 2) High achievement desire | 6) Innovator.  |
| 3) organizer               | 7) Proactive.  |
| 4) Seek immediate feedback |                |

## **1) Motivator:-**

- An entrepreneur acts as motivator. He is required to get the activities done through others. Hence he has to ensure that the employees are motivated towards their work. He should build team Spirit & motivate the employees for organization effectiveness.

## **2) Organizer:-**

- An Enterprise needs no. of resources, men, material, equipment etc. The entrepreneur Organizer the resource into a productive unit to create in the form of goods and resources.

## **3) Innovator:-**

- An entrepreneur constantly Searches for change. He takes positive change as opportunity. He innovates to exploit the change opportunity. He creates something new and recent.

## **4) Risk bearer:-**

- Risk is the degree of uncertainty of carrying out a venture. An entrepreneur always takes calculative risk. Hence he is not wild risk taker. He sets his goals and assume risk to realize the goal. He manages the risk through proper planning.

## **5) High achievement desire:-**

- An entrepreneur has strength desire for independence. He does not want to work under other. He has confidence on his own abilities and gives high priority to self-respect. Desires for independence innovates toward goal.

## **6) Seek immediate feedback:-**

- An entrepreneur seeks Immediate feedback of his performance. Information about the performance is essential for analysis his strength and overcoming the weakness' Feedback drives his future activities.

## **7) Proactive:-**

- An entrepreneur is proactive in nature not reactive. He always searches for future opportunities. He is less concerned with the part of activities. Problem are secondary for him. He is more focused on the future opportunity.

## **1.4) Wage employment, self-employment and business:-**

### **1) Wage employment:-**

→ Wage employment refers to employment to perform all works for wages. When a worker contribute his efforts for other to earn income, is known as wage Employment. Entrepreneurship develops wage employment and engage the person to work & also creates the Source of income as employment.

### **2) Self-employment:-**

→ The self- employment refers to employment for himself when a Person Contribute his efforts for his work is Known as self-employment.

### **3) Business:-**

→ Business is the process of purchasing and selling goods and services regularly to get profit and loss under the legal environment. It is another form of earning income. Business activities engage a person for earning reward and creating source of income.



## **1.5) Myths about entrepreneurs:-**

→ An entrepreneur is the person who start a new enterprise. He brings the change with his skill and he bears the risk to get success. He is always action oriented. He assume himself as a job creator not or job seeker. These are lots of myths about the entrepreneur. Some of the major myths of the entrepreneurs are:

- a) High risk bearer.
- b) Entrepreneur are burn.
- c) Entrepreneur are mainly motivated to get rich.
- d) Give little attention to their personal life.
- e) Entrepreneur are job hopper.
- f) Entrepreneurs are always innovators.

### **a) High risk bearer:-**

→ An entrepreneur is a high risk taker. He always takes calculated risk but he is not the wild risk taker. He gets his goals & assume risk to realize His goals. He manage the risk with planning and rotational decision.

### **b) Entrepreneur are burn:-**

→ It is said that entrepreneur are born not made. Entrepreneurship is the result of thought, ideas and broad concept. The primary stage of childhood is significance of life, as same way success entrepreneur also presents their talent in his work.

### **c) Entrepreneur are mainly motivates to get rich:-**

→ An entrepreneur starts enterprises with sufficient capital and sound plans. Capital is the most requirement of an entrepreneurship. They always think maximize their through their enterprises. They work hard and make progress of their business. In such series, they mainly motivated to get rich.

### **d) Give little attention to their personal life:-**

→ An entrepreneur work in Complex and dynamic business environment.  
→ He is confident his own liabilities and gives high priority to self-respect.  
→ Desire for independence motivates him towards good achievements and gives more time to his enterprise to get success.  
→ So there is statement that an entrepreneur gives little attention to their personal life.

### **e) Entrepreneur are job hopper:-**

→ It is said that entrepreneurs are not dedicated to a single things. They wants to deal different work. They are dedicated to become their own boss. They always think some different and work hard.

### **f) Entrepreneurs are always innovators:-**

→ Entrepreneurs has creative ideas in some-thing. They think some different.so, they are inventors in the society. They think and put their ideas something new.

## **1.6) Overview of ‘MSME’ in Nepal:-**

### **a) Overview of micro enterprises in Nepal:-**

→ The micro enterprises refer to thing enterprises which has establish by a single person with his own capital and effort. These enterprises are very small in nature with less capital and activities. Owner are self-employed cottage industries household and other sector.

Such micro level enterprises are self-work oriented organized Nepal is developing country. Its many enterprises are micro level which have been established the public them self. Such enterprises are major source of individual income. This type of enterprises have also played important role in the economic development of the country. It has upgraded the living standard of common people of the nation.

### **b) Overview of small enterprises in Nepal:-**

→ The enterprises which have an investment not exceeding RS.60 lakh are known as small enterprises. With + in a small scale sector, these type of enterprises are engaged (involve) in the manufacture of parts, component, sub-assemblies and rendering of service to other industries. Generally 50% of the total input of such industries being the means of other industries. Small business have limited operations. They deals with establish products and service and aim limited growth with continues profitability. These enterprises are creating job opportunity to the people and controlling important effort in the economic development of nation.

### **c) Overview of medium enterprises in Nepal:-**

→ Entrepreneurship promotes not only micro and small enterprises in the country. But also promotes medium enterprises in the nation. The medium scheme enterprises play a dynamic role in accelerating the ratio of industrial growth and economic prosperity of developing nation. This occurs because they provide immediate employment opportunities. These enterprises are labor intensive and labor capital ratio. They don't regular high capital structure. They need nation market to be economical offer method of ensuring serves as a means of bringing micro and small enterprises in existence. In Nepal, a no. of enterprises have taken by the government to promote such enterprises in

the country. The facilities provided by medium enterprises include provision for institutional support, incentive and service, marketing support through reservation of items for exclusive production. Common facilities, service raw material supply etc.

Generally 50% of the total of such industries being means for other industries. The industries with fixed capital investment over 50 lakh and up to 5 crore may be regarded as medium scale enterprises.

### **Some future are:-**

- 1) With capital more than 50 lakh up to 5 crore.
- 2) Establish in urban area.
- 3) Scope with national level.
- 4) Means of micro and small scale enterprises.
- 5) Cover large scale.

### **Function of entrepreneur/entrepreneurship:-**

→ The main motive of entrepreneur is to maximize profit. For this goal he perform the following function.

<b>1) Managerial function</b>	<b>2) Promotion function.</b>
a) Planning	a) Developing business ideas
b) Organizing	b) Preparation of business plan
c) Staffing	c) Resource acquisition
d) Directing	
e) Controlling	

### **1) Managerial function:-**

#### **a) Planning:-**

→ Planning is the process of pre-determining course of action for the achievement of organization goal. An entrepreneur has to decide the future activities at present.

It involves deciding what, where, how, when and many things are to be done.

### **b) Organizing:-**

→ An entrepreneur has to organize the various factors of production like capital, labor, technology etc. organizing function ensure proper outcome from these resources.

### **c) Staffing:-**

→ Staffing function of management involves acquisition development, maintenance and motivation of the human development.

### **d) Directing :-**

→ It deals with influencing, guiding, supervising and monitoring the employees for the achievement of organization goal.

### **e) Controlling:-**

→ It involves measurement of accomplishment against the standard and correction of deviation. If any, it involves establishment actual performance and correction.

## **2) Promotion function:-**

### **a) Developing business ideas:-**

→ It is the most important function of an entrepreneur ideas are developed through previous experiences, knowledge, skills, facing problem instruction etc. Thus, an entrepreneur develops business idea.

### **b) Preparation of business:-**

→ A business plan is a document about the future of a business. It often integrates functional plan such as production, finance, human resources, and marketing.

This guides the entrepreneur for establishing and operating the business.

### **c) Resources acquisition:-**

→ Resource acquisition are they important for a business. Since, they are input in the procedure process. They are capital, manpower, technology etc. They are foundation of the business activities.

## **Different between wage employment and self-employment:-**

<b>Wage employment</b>	<b>Self-employment</b>
<p>→ Individual is an employer who work for employer and earn wages.</p> <p>→ Income is in the frame of salary or wages.</p> <p>→ Nature of work is mostly scheduled.</p> <p>→ Earning is limited. It is mostly pre-determined and fixed.</p> <p>→ Supervision and controlling are essential and made by owner.</p>	<p>→ Individual is an owner and employee both who work for himself.</p> <p>→ Income is in the form of profit.</p> <p>→ Nature of work mostly flexible.</p> <p>→ Income is in the form of profit. It depends upon capability and contribution of self.</p> <p>→ Individual control and supervise he is work by himself.</p>



## **UNIT:-2 Exploring and developing entrepreneurial competencies**

### **2.1) Assessing individual entrepreneurial inclination:-**

→ The most basic business form is the sole proprietorship owner and operator by one owner. The owner is also known as individual entrepreneur. In a sole entrepreneurship, the single owner is solely responsible for business liabilities and solely entitled to business.

The individual entrepreneur doesn't create legal entity. He is a person who has the right to implement activities independently on his behalf and it has its own risk without forming a legal entity.

***The following are the major characteristics of an individual entrepreneur:***

- ✓ Sole ownership of the enterprises
- ✓ Manage and control the enterprise solely
- ✓ Bear unlimited liability of business operation
- ✓ Bear risk and Responsibility solely
- ✓ Doesn't have legal existence
- ✓ Does not share profit and loss
- ✓ Enjoy independence in decision

### **2.2) Assessment of decision making attitudes:-**

→ Entrepreneurial decisions are quick and are based on value creation. They mainly focus on rapid growth. They always search for opportunities. Sound decision making attitudes develops entrepreneurial competency of entrepreneurs. The entrepreneurial decisions are driven by generation of opportunity for the new or existing ventures. Under entrepreneurial decisions there are many stages of decision. For resources acquisition with minimal exposure and entrepreneur should consider the strategies for decisions and make sound decisions.

## **2.3) Risk taking Behaviors and risk minimization:-**

→ Risk refers to the uncertainty which exists the business because of some unfavorable or undescribed events. Every project involves certain amount of risk and uncertainty risk situation occurs when the results give from the estimates results. Entrepreneur are moderate risk taker. They enjoy the excitement of challenges but they don't gamble. Entrepreneur avoid low risk situation because they want to get success. They want to active challenges. They don't tend to like situations where (the outcome of per unit depends upon a change and not their effort). They like to influence the outcome of their result by more effort and by having a sense of accomplishments for evaluating personal risk. An entrepreneur has to scan the entire chain of activities like research and development, design, production, marketing, sales, government policies etc. The entrepreneur should show positive and optimistic attitude towards the positive risk situation and approach his task without hope of success and not with a fear of failure.

## **2.4) Creativity and innovation in business:-**

→ Creativity and innovation are the key factor of an entrepreneurial competency development. These competencies makes the entrepreneur different from other help them to perform more efficiently and effectively. There are different programs that aim to develop entrepreneurial competency. An entrepreneurial always creates something new. He generates his ideal in enables him to achieve desired behavior and giving up undesired behavior, creativity entrance the entrepreneur to enter into new business with innovation ideal.

## **2.5) Enterprise management competencies:-**

→ Competencies is the sum of experiences, knowledge, skill and attitudes achieved during life time of a person for effective performance of a task or job. Competency is the personal capacity which is ideal to a certain behavior that meet job demands and bring about desired results. Entrepreneurship competency is to be managed in meaningful way. Proper management of competency distinguish the superior performs from other performs. Hence, it is under designing, characterizing process of a person which results new

ventures, creation, survival, and growth. Entrepreneurial competency is critical for business to get success in competitive globalized work. Generally, the following entrepreneurial competencies are to be managed :

- Strategic competency
- Commitment competency
- Conceptual competency
- Opportunity competency
- Relationship competency



## **UNIT: 3 Business identification and selection**

### **3.1) Sources and method of finding business ideal:-**

→ Simply idea is an understanding thought, opinion or picture of one's mind business idea is also known as an understanding thought or a plan for doing some business activities. Business idea is a thought of business activities which takes in the form of opinion or belief. It may be tangible or intangible. Business idea is the process of solving problems or exploiting business opportunities. There are various source of business ideas some of the important sources are :-

- ✓ Potential customer needs.
- ✓ Trend of product demand supply
- ✓ Success stories of entrepreneurs and other personalities.
- ✓ Information from government agencies and business experts.
- ✓ Chances of offering substitute products.
- ✓ Analysis of competitor's operation, products and services.
- ✓ Research and development works.

### **3.2) Method of collecting business ideas:-**

→ There are various method of collecting business ideas. Some of them are as follows :-

**a) Focus group :-** A focus group is the group of 6 to 12 person. They present various socioeconomic background. They are experts in the concerned group. The group member are asked about their perception opinions, services, concepts, and advertisement which leads towards developing certain ideas.

**b) Brain storming:-** Brain storming is using brain to storm any issue or problems. It is a relaxed & information approach to problem solving and idea, development. It can provide creative solutions to a problem & even

help to grow more ideas. This helps people to come out from their normal ways of thinking.

**c) Problem Inventory Analysis:-** This is another method of collecting business ideas. Under this method, the customers are provided with list of problems associated with the existing products. They are asked to discuss about the products that have similar problems. This method is used to develop new products through the analysis of the problems associated with existing products. It removes difficulty of developing new products.

**d) The delphi Technique :-** The delphi method is a forecasting (future event) technique. It relies on a panel of experts. The experts give their opinion in two or more rounds. After each round, the facilitator (someone who makes progress easier) provides a summary of the experts forecast from the previous round. The experts are encouraged to revise their earlier opinion, in connection to the replies of other members of their panel.

**e) Library and internet search :-** This is another technique for creating business ideas may be generated from trade journal, industry specific magazines & Industry reports which may be obtained through Library.

Research from internet is also very much useful for generating business ideas. Internet provide useful links for the assessment of last and hottest business issues.

**f) Surveys :-** Survey is a method of gathering information from a sample of people. The sample represents the population being studied. It is done in systematic way so that it represents the whole population. Survey are useful to generate new products, services business.

### **3.3) Selection of viable business ideas:-**

→ Viable business idea is the most important aspect of the entrepreneurship development. It refers to those ideas which can be translated into enterprises for exploitation of market opportunities. There are some ways which can encourage ideas as viable (possible) business ideas :

- a) Communicate the importance of creativity.
- b) Allow time for brain storming
- c) Be supportive
- d) The Delphi technique.
- e) Tolerate mistake
- f) Reward creativity.
- g) Acts of ideas
- h) Get opportunity to growth

**a) Communicate the importance of creativity :-** For encouraging creativity, its importance for competitiveness should be communicated throughout the organization. The staff should be encouraged that their ideas are welcomed and recognized.

**b) Allow time for brain storming :-** Enough time should be allowed for new ideas to emerge. For this, the time should be managed for brainstorming.

**c) Be supportive :-** An organization must be supportive towards the staff in regard to new idea generation. This brings creativity.

**d) The Delphi technique :-** The Delphi method is a structured forecasting technique which relies on a panel of experts. The experts give their opinion in one or more rounds. After each round, the facilitator provides the summary of the experts' view. Thus, this technique provides mixed knowledge & ideas which have better chances of success.

**e) Tolerate mistake :-** For encouraging creativity, it should be rewarded. Rewards motivate individuals or teams to come up with new ideas.

**f) Act of ideas:-** Creativity is worth while felt :

- ✓ Action oriented Hence ideas should be acted upon the encourage.

**g) Give the opportunity to growth :-** For encouraging creativity, people should be encouraged do face challenges to grow according to their talents.

### **3.4) Legal provision for "MSMEs" in Nepal:-**

→ Legal provisions are defined as the rule of conduct as procedure established by the conduct, as procedure established by the custom agreement or authority. It is the forcible means. It determines the behavior of government, business and general people. Law affects the business directly or indirectly. It guides business activities. It either promotes or restricts a business laws are the source of opportunity or threats. In Nepal, various legal provision have been introduced in the business sectors for its regulations. Thus, the different legal provisions related to "MSMEs," are as follows:-

#### **1) Legal provisions for "Micro level enterprises business in Nepal"**

→ Micron level enterprises refers to very small or tiny enterprises in the society. Such enterprises are sole proprietor in nature and established by a single person with his own small capital size up to RS.5 lakhs. There are limited no. of people and such enterprises are established in village or rural area or in urban areas. It has less activities so, there are less legal formalities for the small enterprises such legal provisions related to small enterprises in Nepal are as follows :-

**a) Registration :-** Micro enterprises are registered under private form registration acts 2014 B-S for registration, the application form should be submitted with following information.

- Name of the firm.
- Address of the firm.
- Objectives of firm.
- Name & Address of owner with his parents detail.
- Other particular detail.

### **b) Deposite registration fee :-**

→ Registration fee should be deposited in the bank and its voucher should be enclosed with registration form. Registration fee structure is as follows :

Capital size (Rs)	Registration fee (Rs)	Renewable fee (Rs)
Upto 1 lakh	700/-	100
From 1 -3 lakh	2100/-	125
From 3-5 lakh	4100/-	150

### **a) Receiving the certificate of Registration:-**

→ After receiving the application, the authorized officer of the concerned department examines. It and issues certificate of registration and give permission for its operation.

### **b) PAN ( Permanent Account Number):-**

→ PAN is to be registered for micro enterprise.

## **2) Legal provision for "Small enterprises" in Nepal:-**

→ Enterprises having an investment up to RS.5 lakh are called small enterprises. These enterprises are engaged registration in the manufacture of parts, components, sub-assemblies, tools and providing services to other industrial. In Nepal, there are so many small enterprises which are being operated in the different part of the country following are the basic provisions related to small enterprises in Nepal.

### **a) Registration:-**

→ Application form is needed to be filled up and applied for registration. The application form must include the following things.

- Name of the firm.
- Address of the firm.
- Objectives of the firm.
- Name & Address of super.
- Other particular details.

### **b) Deposite Registration fee:-**

→ Registration fee should be deposited in the bank its voucher is needed for the deposite of registration fee. It should be enclosed in application form. If the firm is commercial, then recommendation letter from chamber of commerce is also required.

Capital size (Rs)	Registration fee (Rs)	Renewable fee (Rs)
Upto 1 lakh	700/-	100
From 1-3 lakh	2100/-	125
From 3-5 lakh	4100/-	150
From 5-10 lakh	7100/-	200
From 10-50 lakh	10000/-	250

### **c) Receiving the certificate registration:-**

→ Concerned department receives the application and concerned department examines. If it is satisfied, the form is approved. Thus, business come out into operation

### **d) PAN :-**

→ PAN no should be registered for sole property.

### **3) Legal provisions for Medium /company enterprises in**

#### **Nepal:-**

→ Medium enterprises also plays and important role in the development of nation. It is established with following legal provisions.

#### **a) Apply for registration:-**

→ In the first step of company registration, the unique name should be proposed. It is verified by the office of the company register. Thus an application should be submitted the company register. It can be completed by online also.

- a) Verification and certification of the memorandum and articles of association entrepreneurs normally use the service of professional in practice of verifying and drafting the memorandum and articles of association.
- b) Buying a stamp to be attached to register the form the company pounders can buy a stamp to be attached to register the form of Rs.5 from the post office.
- c) Register the office of company register/department of industry, To register a Company, the owner most submit an application form as prescribed online filing of the required documents has been introduced made mandatory.

**The registration fee structure are as follows:**

<b>Capital size (Rs)</b>	<b>Registration fee (Rs)</b>
Upto rs 1,00,000	100
From Rs 100001 to 500000	4500
From Rs 500001 to 2500000	9500
From Rs 2500001 to 1000000	16000
From Rs 1000001 to 20000000	19000
From 2000000 to 30000000	22000
\$ every of capital of RS 1000000001	+3000 will added

- d) Make a company stamp :- Company founders can make a company number. Rubber stamp at seal market.
- e) Register for value added Tax (vat) and income TAX at the inland revenue department of ministry of finance.

As per the act of value add tax act 2052, The Company must disclose the office address and withhold, 10% tax of rent for at least 3 months and deposit it to the Tax.

- f) Enroll the employee in provided fund every month 10% is denoted from the basic salary of each employee & the save amount deposited by employer. Such amount is provided to the employee at the time of his retirement.



# **UNIT:- 4 Business plan formulation**

## **4.1) Meaning of business plans:-**

→ A business plan is a written document about the future of a business.

Business plan is a proposed course of action of business activities. It is a set of decision how to do something in the future. Business plan demonstrates the facilities of the projective business. It also provides a road map of its operation. It induces the fundamental plans such as production, finance human resources and marketing. An effective business plan convinces the reader that a new business is exciting and need support.

## **Needs and importance of business plan :-**

→ A business plan is a action of business. It present the feasibility prospective business and provides guideline for its operation. It convinces the entrepreneurs that new business is exciting and need support its other importance are a below.

### **1) Provide guideline:-**

→ A business plan overall road map of business that provides the steps to start a new business and also guides the entrepreneurs that how can be a business started.

### **2) Business growth:-**

→ A business plan helps to grow the business. It also provides strategy for business growth. Not any it strategies but also it mentions resourced planning for successfully growth.

### **3) Seek business investment:-**

→ Potential investors analysis the business opportunity and decide whether or not to invest. They expect their plan to cover all the main points that supports their decision.

#### **4) Risk management:-**

- Risk may be defined as the degree of uncertainty involved in a business. A business plan helps the entrepreneurs to analyse and manage the risk. It also help to prepare contingent plan to deal with possible risks.

#### **5) Means of Communications:-**

- A business serves as a means of communication. It communicates business goals and strategies to outsides. It also serves internal communication tools.

#### **6) Establish bench marks:-**

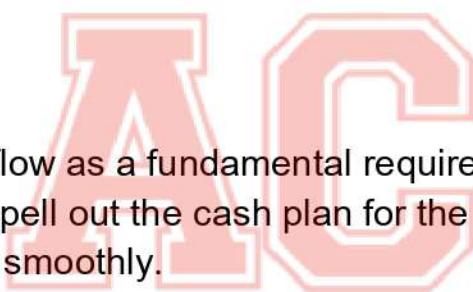
- A business plan serves as a successful bench marking tool. Bench marking is the process of comparing one's business process and performance to industries.

#### **7) Product/service description:-**

- A business plan outlines the complete description of the product. It includes a description of overall the market for the products with detail of the customers base.

#### **8) Cash Flow:-**

- Management of cash flow as a fundamental requirement for all business. A business plan dearly spell out the cash plan for the business. It helps to carry at the business activities smoothly.



### **4.2) Marketing plans:-**

- Marketing plan is a well thought road map which matches the business structure, needs and target group. It is a powerful tools for an entrepreneurs for market. It focus on marketing and selling its products services. It leads with promotes, distribution and sales. If involves the firm marketing Strategy which dictates how a company position itself in the market different itself from its competitors. It also includes the company's approach to products, price, promotion and distribution. Thus, marketing plan follows the vision, mission add goals. It Includes:-

#### **a) Description of product or services:-**

- Marketing plan is s a written document which includes description of product or services. Such description shows the brief history of the products or

service of the company. It provides product ideas, vision and design. The description of products and services of the company shows how they are different on the market place. Such description includes the present stage of product or service challenges and risk in bringing the product or services in the market.

**b) Targeted Market & Customer:-**

- The marketing plan focuses marketing & selling the products and services. The target market & customers that the company intends to service is defined properly. It enables to prepare an appropriate marketing strategies. Marketing segmentation is the way of defining the target market. It is based on understanding the customers need and performance.

**c) Location of business establishments:-**

- Market plan includes the location analysis of a business. It mainly analyses the possibility of effective marketing activities. Location of business is itself an important element of marketing plan, suitable location of business is searched. It is selected for business activities, suitable location includes the proper facility of transportation, communication, labor market and government priority.

**d) Estimation of market demand:-**

- Estimation of market demand is another important factors of marketing plan. It contains in formation of present market condition and production performance. It involves description of how and why product and services should be produced. Such demand analysis high-light the current market demand and how it can be fulfilled and move demand can be created.

**e) Competitors analysis:-**

- It is necessary for an entrepreneur to consider his own position in the market. He should consider his strength and weakness in the target market. Strength is a source as capability to run a business effectively. Competitors analysis helps to assess the strength and weakness to decide the action great marking to be taken to a great marking opportunity.

**f) Estimation of market shares:-**

→ A marketing plan is a written document that describes all the aspects of a market ventures in a concise manner. It is needed to raise money and attract high quality business activities. Estimation of market share analysis the condition and position of the company in the market. It is such estimation that shows how to use the resources, structures its relationship Interference with customers and created value to sustain itself in the market with its large Scale of market share.

#### **g) Measures for business promotion:-**

→ A marketing plan is a well thought road map that matches the business structure, needs and target group. It starts with the co-operative vision and mission. The measures for business promotion shows the business in terms of the customers, employees, suppliers and community. It reflects the advertisement and promotion of business in terms of stage and nature of the products. The business offer price, quality, service, market place position, growth potential customer satisfaction 'Etc. Business promotion activities are to be measured and effective business promotion should be used to promote the business in the market.

### **4.3) Business operation plan:-**

→ Business operation plan describes the process. Resource that are used to produce highest quality products or service as efficiently as possible. Business operation plan typically include the following :-

#### **a) Process of product & Service creation:-**

→ The basic nature processing is one of the transformation that is happening in the same way transforms. The things being worked out .The process or products or service creation refers to the methods of converting raw materials into finished goods which processes goods which utility. A product can be processed by two or more process. The process of products & service creation depends on the proper selection of machine, tools & materials. The process of products & service creation can be explained as below:

- Forming process.
- Matching process.
- Assembly process.

- Finishing process.
- Transport process.

**b) Required fixed assets:-**

→ While operation plan is formulated, required fixed assets are to be discussed. Fixed assets a kind of such asset which is used to operate the business activities for a longtime. It includes land, building, plants, machinery, vehicles, office equipment, loose tools, computer etc. Such assets have long life. They keep providing their services for a long life. So an entrepreneur should make proper plan effectively to operate the business activities smoothly.

**c) Level of capacity utilizations:-**

→ While business operation plan is formulated, an entrepreneur should consider the level of capacity utilization of the firm. It is necessary to manage effective system to use all those resources up to their maximum limit. Full capacity utilization is more beneficial for organization. It increases output and reduce the cost of operation. As a result, profit margin is high. It also decreases wastage and maintain the quality with high production ratio.

**d) Depreciation and amortization (written off):-**

→ While business operation plan is formulated, an entrepreneur should consider about the depreciation & amortization. Depreciation means to reduce the value of fixed assets gradually due to any cause. Amortization is written off the value of assets over time. Both depreciation and amortization reduce the value of fixed assets. Due to passage of time, the value of fixed assets decrease by different reasons, like wear & tear, accident, market price fall, change in fashion, change in technology & other causes. Thus the reduction in the value of fixed assets are known as depreciation. Depreciation is non cash expenses it is charged to Income statement as expenditure.

Amortization is the decreasing value of right over the assets. It is charged against pattern right, copy right, trade mark, good will etc. Such

amortization on also should consider properly to show the present position of the firm

#### **e) Estimation of office overhead and utilization:-**

→ While business plan is formulated, the estimation of overhead and its utilization are to be considered. Estimation of overhead shows the service cost of the product to bring the final product position. The proper utilization of such cost maintain the cost of production & total cost of the product. It mainly analyze the cost drivers. The estimation of office overhead involves fixed and variable cost. This part of business plan estimate the office overheads & its proper utilization to control the cost and use it economically.

### **4.4) Organizational and human resource plan:-**

→ Modern business aim is to earn profit through social advantage and there for, it is governed by various laws. The laws have been passed by central and state government to regulate the business activities effectively. It is necessary for owners or entrepreneur's to take the knowledge about the human resources and its related laws. Following are the guidelines of the different laws related to human resource of the organization.

#### **a) Legal Status of business.**

- ✓ The factories act
- ✓ The industries disputes act
- ✓ The employees provided fund act.
- ✓ The workman's compensation act
- ✓ The shop's is establishment act.
- ✓ The payment bonus & gratuity act.

There are various intellectual property rights. Some of them are:

#### **1) Patent right:-**

→ Patent is one of the oldest form of intellectual property protection. The basic aim of the patent is to encourage economic and technological

development by rewarding individual creativity or intellectual. A patent under act is granted protected from government to its creator or inventor for a limited period of time. The executive right protects to use and invest in new ideas, thoughts related to intellectual property. The end of the patent period, the government publisher the invention and it becomes part of public domain. Patent is an exclusive right which can be sold, transferred or used as collateral, like other valuable assets following are the types of patent right.

***Following are different types of patent :-***

**a) Utility patent:-**

- Patent are granted for new products, process and method of manufacturing product.

**b) Design patents:-**

- Design products are granted for new variety of original work.

**c) Plant Patents:-**

- Plant patent are granted for only new variety of plant that has been produced as a unique product.



**2) Copy rights:-**

→ Copy right also protects the creativity of owner. It is intellectual property which protect the original work of the ownership. It gives an exclusive right or otherwise to do the work of others creation under certain acts. It is mainly related to get permission of copy of such creation. It is related to literary, musical, Cinema graphics, recording etc. A copy right protects the intellectual property for the life of the so years. In the recent time, with the rapid advance of technology, copy right infringement in the form of piracy has become serious problem of international form.

**3) Trade mark:-**

→ A trademark is also an intellectual property for business owners. It is word, sign, symbol, design or any combination of there of adopted and

used by a manufacturing to identity his goods and service. Trade mark also protect the product in the trade market, trade mark is used by various company like, coke is used by cocacola company ltd. And apple is used by apple computer corporation.

### **b) Management Structure:-**

→ Management is the process of managing resources in order to achieve organizational goals. It is related with the different activities and consulted with execution of policy laid down by administration management structure refers a line of separation between different position drawn with a view to distinct each other in respect of their duties, responsible & authority such structure can be discussed as below:

#### **1) Top level Management:-**

→ Top level management constitute highest level of position in the management hierarchy. This is the policy making level in organization. This level consists of small groups of executive bodies, like boards of directors, chairman, managing directors, personal manager, chief executive, consultant etc. Top level management is responsible for planning, decision making, policy making etc. They are responsible for overall management function of the organization

#### **2) Middle level Management:-**

→ Middle management occupies a central place in the hierarchy. It is concerned with execution of detail policy and plans determined by the top level management through the frame work of organization. It performs planning, guiding, supervisory, coordinating & controlling the activities of lower management.

#### **3) Lower level Management:-**

→ This is the lowest level in the hierarchy of management. Manager at this level performs under the central and direction of middle level management. This level regulates to the lower Section or employees at

operating level. It includes foreman, supervisors, inspector etc. This level also carries message from lower level to upper level Management

**c) Required human resources is cost:-**

→ While business plan is formulated, the human resources and its cost is also considered. Human resources planning is essential for any enterprises. Human resources planning is an important step to determine the right position for the right person at the right time management should determine itself that what kind people do we need ? How many people do we need? And what is the human resources cost? So human planning is made is a process by which an entrepreneur ensure that he has right. No of people is right kind of people with appropriate skills at the right place. At right time to do work.

**d) Roles and Responsibility of staff:-**

→ Human resources are valuable assets for any organization. The goal of an organization basically depends on the human resource of such organization. So, proper management of human resources are very essential while business plan is formulated. The role & responsibility of each staff should be clearly defined & directed to operate their function in system. There should be proper allocation of duties and authorities to make them effective on their work.

## **4.5) Financial plan**

### **1) Working capital estimation:-**

→ Working capital is that amount of fund which is required to carry out the day to day operation of an enterprises. It may be also graded as the portion of an enterprises total capital which is employed in its short term operation. So estimation of working capital is essential for any enterprises. An entrepreneur should access it's working capita correctly as far as possible for effective daily operation because both under and over work capital are harmful for enterprise. It is assumed that working capital is equal to be third of the total operating expenses of the last year, it is calculated as below:

Total working capital = Total operating expenses in last year/ No of operating cycle in the current year

## 2) Pre-operating expenses:-

→ Pre-operating expenses refers to the preliminary expenses or research and development cost feasibility study cost which is incurred in business plan formulation. While business plan is formulated, for the different types of planning cost of business is considered for conducting seminar, feasibility study or research and development purpose. But it should be reasonable so, a company should consider this type of expenditure while business operation plan is made commercial bank commercial bank are the major sources of funding for a business. Such banks provide loan to entrepreneur for their business. Such loan charges interest as financial cost.

### 1) Source of equity financing ( own capital):-

→ Equity financing is obtaining funds for the business/enterprises in exchange of ownership. It is managed by owner from his own property. It is the most common source of funding to a business. The equity investors get return on their investment in the form of dividends.

### 2) Debit financing ( loan taken):-

→ Micro-finance provide small of loan to small enterprises. It involves small amount of loan and provides on the basis of granted. It also charges interest.

#### a) Commercial bank:-

→ Commercial bank are the major Sources of funding for a business. Such banks provide loan to entrepreneurs for their business such loan charges Interest as financial cost.

#### b) Micro-finance:-

→ Micro-finance provides small size of loan to small entrepreneurs. It involves small amount of loan and provide on the basis of grantee. It also charge interest.

### c) Private sources:-

→ Many entrepreneurs starts their business by borrowing money from their neighbours, and relatives. Such lender provides money for Flexible period and it is free of cost.

### 3) Per-unit cost of service or product:-

→ An entrepreneur needs to purchase materials, machines or equipment to produce the products or services. Therefore, financial plan is to be made to estimate the cost. An entrepreneur should consider its operating cost in the course of producing quality of goods or service. So an effective business plan essential to guide the entrepreneur to arrange the financial resources and use them effectively to minimize the cost.

### 4) Unit price and profit/loss estimation 1st years:-

→ It is challengeable task for a new company to set the unit price to manage the profit portion. In the 1st year low price Increases the demand and profit margin but high decreases demand and profit main that is why, It is necessary to make proper financing plan to produce goods or service at the reasonable cost of the production and set the price per unit in the favour of the market through proper financial plan. The resources of fund can be managed economically and resources reasonable be hired at reasonable cost. As a result, the total cost of production minimized and sales price per unit is reasonable in the market. Entrepreneurs should make proper planning to set the unit price to earn prof in the market.

#### 4.6) Business plan appraisal:-

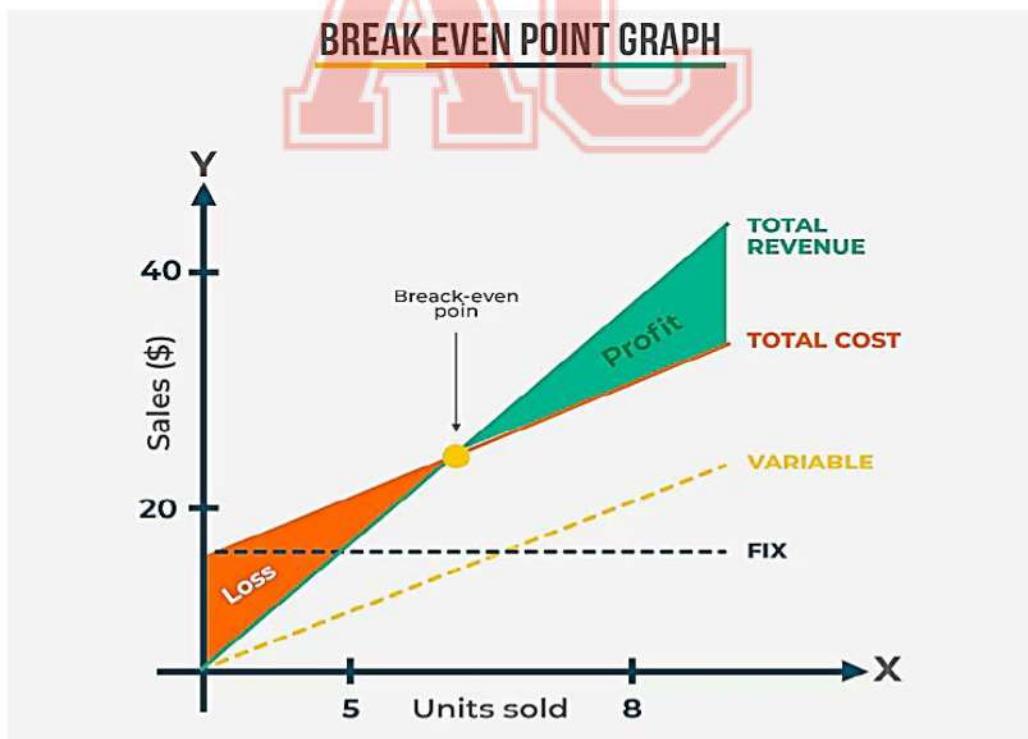
→ Business pion appraisal is an assessment of business plan. Such business plan appraisal made for both proposed and executed project. It is a cost and benefit analysis of different objectives to known as Business plan appraisal.

##### a) Return on investment

→ Every investor looks for some return on their investment and charges cost as on his investment return on investment in a project, is the reward for making investment in a project. Whenever an entrepreneur goes for any investment, he wants to get reward for such investment. So, such entrepreneur should consider the return for investment. He should analyse the project decision with view of return. Return on investment is a tool for business appraisal which helps to determine where to take more return.

### b) Breakeven analysis:-

→ It is the study of cost volume profit relationship. It is the study of total cost, total revenue and output relationship. It refers to a system of determining the levels of operations where the total cost is equal to total sales revenue. So in that point, the total cost and sales revenue both are equal and there is no profit, no loss. Thus, breakeven analysis is an important tool of financial planning & control. It states to increase sales revenue for profit. Break even analysis can be presented by the following graph.



### c) Risk factors:-

→ Risk & a possible losses in the future. It is basically created while investing organization. So it is defined as uncertainty in Investment energies in investment return or more formally the variability of actual return from the expected return associated with given assets. The entrepreneurs should know the risk factor that it can minimize the cost and maximize the profit. Such risk is raised due to undesirable events every projects involves certain amount of uncertainty. While business plan is formulated, risk factor are considered to minimize the loss of risk.



## **UNIT:-5 Small Business Management**

### **5.1) Concept of small business managements:-**

- Really, small and large scale enterprises are two legs of business process for a country. Hence, small business found in existerre in every country. Small business have been given an important place in frame wood of Nepalese business. Since initial stage of business, both economic and ideological resources are taken as important factor of business. It is a matter of fact small sectors has now emerged as a dynamic and vibrant sector for the nepalese in recent year. Therefore, its proper management is very essential.
- Small Scale business are Characterized by their small and any resources. These make them sensitive small business have been an important place in the development the country. Therefore, every country has started various program for the development of small scale business. Small business always supports to the
- Over all industrial development of the country. It is realized that small scale industries are particularly suited for the utilization of local resources and creation of job opportunities.

### **5.2) Market and Marketing Mix:-**

- Concept of market refers to a place where buying and selling activities take place. It is process of exchanging ownership of goods and services from one place to another. It is such place where buyers and sellers gathered to deal of buying and selling. Marketing can be done alone with face to face or by means of telephone, fax online shopping etc. It includes both place and regions where everyone meet each other and perform marketing activities freely.

#### **Concept of Marketing Mix:-**

- The mixture of all activities conducted to fulfill the needs of target market is known as marketing mix. These are various activities involved in the marketing activities. Some of them are controllable and uncontrollable Thus, Marketing

mix refers to the actual work that must be done to reach target market and achieve corporate activities. It is the marketing program which includes the following component :

**a) Product Mix:-**

→ The things or material which satisfies the needs is known as or want of people product mix. It is an important component of marketing mix. In its absence, no marketing activities can be done product mix includes the components such as design of product quality, variety, feather, specialities, branding, packaging, Manufacturing data and expiry date etc. Product mix is the package of product activities product plan and development should be seriously considered.

**b) Price mix:-**

→ Price is another important component of marketing mix. There are different activities related to price which are performed to complete the marketing activities. Price is the major exchanges of ownership from one person to another. The price of any goods should agree with quality goods. Price is the other important component of marketing mix. The price of goods directly affects the quality of the scale of the goods. If price is low sales can be high. Price mix includes discount, price of product cost, price of substitutes goods allowance etc.

**c) Place mix:-**

→ Place is another important component of marketing mix. The different activities related to the supply of product to the targeted market is performed which is known as place mix. Place mix plays an important role to perform marketing activities effectively. Place mix includes distribution channels agents, dealers wholesaler, retailers etc. Such components should be considered.

**d) Promotion mix:-**

→ The other component of marketing mix is the promotion mix. It is the activities of increasing the sales quality in the market. It includes all activities which attracts the customers to buy the products. It includes advertisement, publicity, personal selling, exhibition fee sample

distribution, micking, posterizing etc. So, promotion mix should be considered to get success in this competitive environment.

### **5.3) Basic accounting keepings:-**

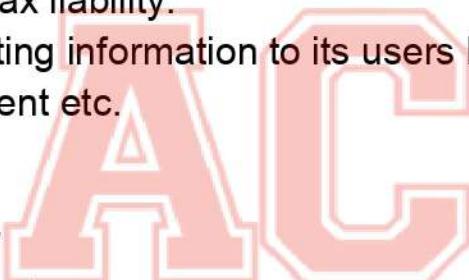
→ Simply accounting is the process of recording, classifying, summarizing interpreting and presenting economical activities which are performed in a firm during the year. So, its proper recording is very essential. Accounting keep the systematic records to find and present the result of operation of the organization.

#### **■ Objects of Accounting:-**

Following are the major object of accounting:-

- ✓ To maintain full and systematic record of the business transactions.
- ✓ To ascertain the profit or loss of the business.
- ✓ To show or present the financial position of the position.
- ✓ To calculate the tax liability.
- ✓ To provide accounting information to its users like management, investor, creditors, government etc.

#### **Types of Account.**



##### **1) Personal Accounts:-**

→ Personal account is a such type account which keeps the records related to personal activities. Such person may be person any organization or natural person like ram, sita, shyam etc. This account follows the principles of debit and credit as follow:-

Debit is the receiver.....DR      }  
Credit is the giver.....CR      }

##### **2) Real Account:-**

→ Real account is a such account which is related to assets or properties like cash, bank balance, plant and machinery furniture, building land vehicles equipment etc. This account follows the basic principle of debit and credit as follow.

What comes in debit.....DR      }  
What goes out credit.....CR      }

### 3) Nominal Accounts:-

→ Nominal account is such type of account which is related to general expenses, losses, profit gains etc. It also includes salary, wage, trades, expenses interest, rent etc. This amount follows the principle of debit and credit as bellows.

All expenses/ loss are debit.....DR      }  
All Income/ grains are credit.....CR      }

### ❖ Book keeping:-

→ Book keeping is the art of recording, transaction systematically in the book of account to run the business activities smoothly. It is necessary to every business house to keep the proper record of business activities for presenting its result. Book keeping keeps the records by following two systems:-

**1) Single entry system:-** It is a system of recording financial activities of business in the book of accounts. It is used by small business organization where activities are only recorded by business houses but customers do not keep the record of such financial transaction which are made with organization.

**2) Double Entry System :-** The scientific and system recording system of financial activities. This system has been developed by luca pacioli in Italy in 1494 A.D. It is scientific system which is basically used in big business houses to keep the records of business activities. In this system, both parties record the activities in their book of account.

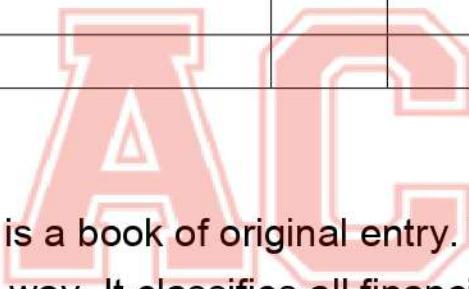
## ❖ Books of account:-

→ Following are basic books of account under double entry system :-

**1) Journal:-** Journal is a basic book of account. It is known as original book of account. It keeps the record of day to day financial operations. It is prepared to record the financial activities as original entry. Journal is prepared with the help of vouchers like cash receipt, invoices, slip cash memo, agreement paper etc. Its format is as below :-

### Journal In the book of.....

Date	Particulars	L.F	Debit (Dr)	Credit (Cr)



**2) Ledgers:-** Ledger is a book of original entry. It keeps the record of daily activities in classified way. It classifies all financial activities in similar category and opened it ledger classify the nature of account and activities. It contains complete information about the transactions. So, it is also known as principle book of account. It is prepared as 'T' shape. Its format is as below :

### Dr.                                  Heading account                          Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Particulars

### **3) Final Account :-**

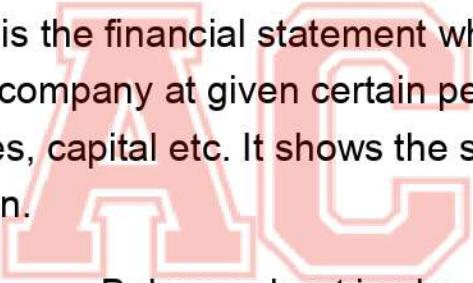
→ Final account is an important financial statement of business organization. It is compulsorily prepared by each business or organization to know its profit and loss account for a certain period of time. It is prepared with help of Journal and ledges. Business organization is established with the view of earning profit or loss. So, it is necessary to prepare final account. It includes income statement and balance sheet.

#### **a) Income statement:-**

→ Income statement & income statement is a part of final account. It is all the prepared by including expenses losses income of the year. Finally, it shows to profit or loss of the business organization. Income statement measures the business performance in term of profit and loss.

#### **b) Balance sheet:-**

→ Balance sheet is the financial statement which shows the financial position of the company at given certain period. It a statement of assets, liabilities, capital etc. It shows the strength and wear nesses of the organization.

  
Balance sheet is also known as mirror of the business firm because. It shows the real financial picture of organization. It of business firm.

← THE END →

**\*\* " If you find a mistake, Kindly take a Screenshot and email to [info@arjun00.com.np](mailto:info@arjun00.com.np) "**