

Based on the New Syllabus of CTEVT

Entrepreneurship Development



CTEVT

Diploma in Civil Engineering 3rd Year 2nd Part



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Chapter-1

Introduction to Business and Entrepreneurship

Course Contents:

Unit 1: Introduction to Business & Entrepreneurship:

[9 Hours]

1. Overview of entrepreneur and entrepreneurship
2. Wage employment, self-employment and business
3. Synopsis of types and forms of enterprises
4. Attitudes, characteristics & skills required to be an entrepreneur
5. Myths about entrepreneurs
6. Overview of MSMEs (Micro, Small and Medium Enterprises) in Nepal

Overview of Entrepreneur and Entrepreneurship:

Entrepreneur:

- Entrepreneur is a person who tries to do something new, visualize a business opportunity, organize the necessary resources, risk bearer, setting up the business etc.
- Entrepreneur is an innovator and organizer, a risk bearer person. So an Entrepreneur refers to "A person who visualizes a business opportunity, takes steps to promote a new enterprise, assembles resources in the form of men, materials and money to take the business venture successful and bears the risk and uncertainties involved."
- Some examples of most popular Entrepreneurs are:
 - Bill Gates: Founder of Microsoft.
 - Mark Zuckerberg: Founder of Facebook.
 - Binod Chaudhary: Founder of C.G. Industry.

Entrepreneurship:

- It is defined as the process of designing, launching and running a new business. It is also the capacity and willingness to develop, organize and manage a business.
- The term "Entrepreneurship" refers to the functions performed by an entrepreneur. So, it is the process of identifying opportunities, ideas and converting the ideas into action, promotional activities, hard working, risk bearing for the hope of profit.
- Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk, tasking and through the communicative and management skill to mobilize human, financial and material resources necessary to bring a project to fruition.

Features of Entrepreneurship:

- Innovation.
- Continuous.
- Goal Oriented.
- Interdependency.
- Unique.
- Risk Bearing.

Wage Employment self Employment and Business:

Wage Employment:

- If a person works in other person's business and gets salary/wage then he/she is known as wage employment and such type of employment is known as wage employment.
- In wage employment there are two parties i.e. the employee who gets wage or salary from employer for his work. Wage is usually fixed amount given to the employee on a monthly or daily basis for his/her work.

Characteristics of wage Employment:

- **Tow-parties:** In wage employment there is always two parties one is employer and another is employee.
- **Contractual Nature:** Wage employment is always contractual in nature. It is an agreement between two parties where one party works for the other under some specific terms and conditions.
- **Employer-Employee Relationship:** The relationship between two parties in wage employment should be good as they are interdependent and inter-related.
- **Terms and condition of Employment:** In case of wage employment the nature of work, working conditions, rules concerning work relationship are decided in advance.

Advantage of wage Employment:

1. A wage employee receives wages on a regular basis.
2. They have opportunity for promotion.
3. It increases social contact with co-workers.
4. It is less stressful and can leave work behind end of day.
5. It is not necessary to invest capital.

Dis-advantage of wage Employment:

1. Employee cannot set their own schedule.
2. Their work hour may not be convenient for them.
3. They have no control over work condition.
4. They have limited opportunity to make decision.

Self Employment:

- If a person works in his own business or he/she is also owner of their business then he/she is known as self employee and such type of employment is known as self employment.

Characteristic of self Employment:

1. Individual owner [self employer]: In self employment the owner and employer is individual.
2. No terms and conditions: The terms and conditions are not as wage employment. The self control consists terms and conditions.
3. Unlimited Earning: The earning of profit is unlimited and is based on capability and contribution of the individual.
4. Self dependent: The owner as well as employer should be self dependent.

Advantage of self Employment:

1. No fixed routine to work like that in wage employment.
2. No necessary (compulsory) educational degree.
3. They are their own boss and can make their own decision.
4. They do work as they like.

Dis-advantage of self employment:

1. Responsibility for business success is stressful.
2. Capital is necessary to start or create new venture.
3. Business income varies but expenses are constant.
4. Loss in business task place due to improper planning and handling i.e. [due to lack of knowledge and skill].

Difference between wage Employment and self Employment:

The various differences between wage employment and self employment are as follows:

S.N	Wage Employment	Self Employment
1.	The status of the individual is that of an employee.	The status of the individual is that of an owner and employer.
2.	The individual works for another.	The individual works for self.
3.	Income is in the form of salary.	Income is in the form of profit
4.	Earning is limited. It is mostly predetermined and fixed having regular increments.	The scope of earning is unlimited. It depends upon the capability and contribution of the individual.
5.	The nature of work is mostly routine except where one has to take independent decision on policy and strategic matters.	The work involved is flexible and depends on what the individual wants to do.
6.	Entire supervision and control lies with the employer.	The individual controls and supervises his own work.
7.	It has necessary educational degree.	It is not necessary to educational degree.
8.	It is not necessary to invest capital.	It is necessary to invest capital.
9.	It has opportunity for the promotion.	It does not have opportunity for the promotion.

Business:

- Business is an activity of making one's living or making by producing or buying and selling goods or service. So, it is an activity or enterprise entered into for profit.
- Business is an organization or an economic system where the goods and service are exchanged for one another or for money. Every business requires some form of investment and sufficient customers to whom its output can be sold on a consistent basis in order to make profit.

Types of business: There are two types of business;

1. Personal business:
 - When a person handles the organization is called personal business.
2. Partnership Business:
 - If more than one person engaged in a business that is known as partnership business.

Characteristics of Business: Following are the general characteristics of business;

1. Economic activity.
2. Buying and selling.
3. Continuous process.
4. Profit motive.
5. Risk and uncertainties.
6. Creative and dynamic.
7. Customer satisfaction.
8. Social Activity.
9. Governmental control.
10. Optimum utilization of resources.

Process of Entrepreneurship:

1. **Self discover:** Examining own strengths and weakness.
2. **Identifying opportunities:** Looking for needs, wants, problems and challenges that are not yet being met or dealt effectively.
3. **Generating and evaluating ideas**
4. **Develop business plan**
5. **Collection of resources.**
6. **Implement business plan**
7. **Setup new venture.**
8. **Critical analysis.**

Importance of Entrepreneurship: Entrepreneurship is most essential for economic development. In capitalistic economies the entrepreneur played an important role in their development. In socialist economies the state played the role of the entrepreneur. But in a developing country like India which followed the path of mixed economy both the government and private entrepreneurs played an equally important role. Thus entrepreneurship;

- Help the formation of capital by bringing together the saving and investments of people.
- Provides large-scale employment opportunities and increase the purchasing power of the people.
- Promote balanced regional development in the country.
- Help in reducing concentration of economic power [*power to own the factor of production in a few hands*].
- Plays important role in innovation of something new.
- Increase productivity with the optimum use of local material and utilization of skill.
- Increase economic development, social development and sustainable development of nation.

So, the Entrepreneurship is most important as well as essential factor for the development of nation.

Business Enterprises:

→ The activity of providing goods and service as involving financial and commercial and industrial aspects.

Common types and form of Enterprise in Business:

→ People in the community have many interest and different needs and wants in their lives. It is the role of enterprising men and women to identify these interest needs and wants and establish specific enterprises through which these can be satisfied.

→ There are four types and forms of enterprise in business:

1. **Sole Proprietorship:**

- ✓ Sole proprietorship is the most basic form in which individual can start and own a business. All the elements of business are borne by the sole owner. The management and decision is collected by a person. In this enterprise the work can run smoothly and decision is done fastly.
- ✓ A sole proprietorship enjoys huge popularity and patronage (power of appointment) due to the simplified registration, ease of startup and minimal cost of startup.
- ✓ An important disadvantage of sole proprietorship is the owner is not distinguishable from the business and hence can be sued and made to pay for all the debts/Liabilities incurred by the sole proprietorship.
- ✓ The investor is known as sole proprietor he actively participates in the day to day management of the concern and takes risk of every activity. He controls all the activities of the concern according to the best of his knowledge, skills and ability therefore he enjoys all the profits and wealth of the concern.

2. Partnership {General partnership}:

- ✓ A partnership is said to exist when two or more person mutually agree to operate (run) a business for profit. Partnership also enjoys greater attraction because it offers a certain degree of flexibility and ease in operations.
- ✓ If two partners of well then business can go successively otherwise it is more difficult to gain success. Partner can decided soles and profit with mutual understanding.
- ✓ However a major dis-advantage is that partners fact the risk of unlimites finanical liabilites in cases where the business fails.

3. Limited Liability Company {LLC}: A limited libility company is a hybrid legal entity having certain characteristics of both a corporation and a partnership or sole proprietorship. An LLC is a type of unicorate association distinc from a corporation. LLC contes on the founding parther limited liability in time when the business experiences liquidation.

4. Corporation (P.L.C) [Business corporation]: The corpration is owned by a body of shareholders overseen by a body of directors and run by elected offices. In addition corpration are directed by law to hold periodic sheare holds meeting and to make filings of financial information at specflied intervals.

- ✓ Mostly government organization like Nepal oil corporation Nepal khaddhya sansthan, Salt Trading Corporation etc are included in corporation, Whicjh are regulated by government and its rule and regulaytions.

Attitudes Characteristics and skills required to be an Entrepreneur:

Attitudes: Attitudes required to be suceful enterprnrneurs are as follows;

1. **Passion:** It is necessary to be passion for success entrepreneur. If there is no passion he/she ccan decide wrong decision. The result can sen after long time.
2. **Flexible:** Entrepreneurs should be flexible with current enviroment and other stakeholders. If they are not flexible they become back with other competitors.
3. **Not fair from failure:** Entrepreneur should not be affried from little unsuccesses he should continue his work and lastly he will get success.
4. **Timely Decision:** Entrepreneur should decide about present condition and other thing in quick time.
5. **Keep ego under controle:** Entrepreneur should not keep egg with other person. Ego helps to make wrong relationship with other and also disturibs the oeace mind.
6. **Believe:** Entrepreneur should belive in his work and he should belive for getting success.
7. **Accept critision.**
8. **Know strength and weakness.**
9. **Own boss.**

Myths about Entrepreneurs:[VIMP]

There are some mythes about entrepreneurs which are given below;

1. **Entrepreneurs are high risk takers:** People think that entrepreneur takes a lot of risk but in reality they analyzed risks. They take risk inly which can be minimized and can be solved. They are not gamblers.
2. **Entrepreneurs don't have a personal life:** Lots of people think that entrepreneurs work 24 hours in a day 365 days in a years. Working non-stop means that thaey won't have time for their family friends are leisure activities.
3. **Entrepreneurs are born not made:** people think that entrepreneur are of by born but in reality they are made from their education training and hard working.
4. **Entrepreneurs are mainly motivated to get rich:** People thnks that entrepreneur are only motivated by money but in reality they are also motivated by exception and combination they are also motivated by freedom.

5. **Entrepreneur raise money from ventture capitalists:** Not all entrepreneurs raise money from venture capitalis. venture capital money is on the list but personal loans friends and family for out weight the vwnture capitalists funding.
6. **Entrepreneurs have great ideas:** Most of people think that entrepreneurs have great ideas but in reality they study the idea from different journals books university education and experiences.
7. **Anyone can be Entrepreneurs:** There are 7 billion over people in the world. Not everyone can be Entrepreneur. Based on the graphic above Entrepreneurs make up a small amount of the population compared to other professions across the world. Not every body has what it takes to start and run their business. nott everyone has personality or resource.
8. **Entrepreneurs have formal education and training:** They don't need formal education. They have to knowledge and experience about business to have a successful company.
9. **Entrepreneurs are young and Energetic:** Age has no limitation when it comes entrepreneurship. People may have reservation about starting their own business because of their age.
10. **Entrepreneurs don't quite until they succed:** While the mentality of Entrepreneurs may not accept failure the reality is quite different Entrepreneurs will fail. It comes with thw territory.

Roles of Entrepreneurship in Economic Development:

The Entrepreneurship have following roles in economic development;

1. Capital Formation.
2. Employment creation.
3. Incresed productivity.
4. Export Promotion.
5. Industrialization.
6. Equal distribution.

Function of an Entrepreneur: The function of an entrepreneur can be summarised as below;

- a) **Conception of an idea:** An entrepreneuris the person with a creative mind who can identify business oppurtunities and take steps for the conversion of ideas into succesful business ventures and give them a concrete shape.
- b) **Promotino:** Nowardays many entrepreneurs have assumed the rolr of promoters of large companies. As a promoter the entrepreneur has to conduct feasibility studies decide to the from of organization assembles the required funds and people etc.
- c) **Innovation:** Entrepreneur tries to develop new technology products and markets. The entrepreneur uses his creative abilities to do new things.
- d) **Bearer of risk and uncertainties.**
- e) **Arranging necessary capital.**
- f) **Staffing.**
- g) **Mobilizing resources.**
- h) **Relationship management.**
 1. Professional relationship.
 2. Govermental relationship.
 3. Social relationship.
- i) **Control.**

Skills: The skills required to get success for an entrepreneur are as follows;

1. The ability to manege and raise Money:
 - Entrepreneur should be able to manage and raise money for success.
2. The ability to relieve stress and to be productive.

3. Ability to make entrepreneurs friends.
4. Ability to hire effective people.
5. Ability to train and manage staff.
6. Ability to connect social networking.

→ The other skill that the entrepreneur should have are as follows;

1. Hard work.
2. Optimistic.
3. Foresight.
4. Achievement oriented.
5. Innovative.
6. Flexibility.
7. Manager and leader.
8. Preference for risk.
9. Independence.

→ The another skills that the entrepreneur should have are;

- i. Ability to plan.
- ii. Communication skills.
- iii. Marketing skills.
- iv. Interpersonal skills.
- v. Basic management skills.
- vi. Team building skills.
- vii. Personal skills.
- viii. Leadership skills.

Characteristics: The characteristics of the successful entrepreneurs are as follows;

1. Ambitious: Entrepreneurs have ambition for his purpose goals.
2. Independent: Entrepreneurs should be independent in his work and decision.
3. Self confident: Entrepreneur should be confident in his work he should not take advices for own decision should be done with himself.
4. Risk Taken: The result of enterprise is seen after long time there is invested a lot of time money and manpower therefor Entrepreneur should be risk taken.
5. Visionary.
6. Creative.
7. Energetic.
8. Committed.
9. Optimistic.
10. Foresight.
11. Initiative.
12. Perceiving opportunities.
13. Persistence.
14. concern for quality work
15. Efficiency orientation.
16. Planning.
17. Problem solving
18. Experience.
19. Team Spirit.

Overview of MSMEs in Nepal:

Introduction:

- The MSMEs refers to “Micro Small and Medium Enterprises” during the year 2001, MSMEs accounted for 96% of the total industrial establishment 83% of employment generation by industrial sector and shared about 80% in the industrial sectors contribution to national gross domestic product. MSMEs play an important role in creating self employment opportunities mobilizing and using. Since the later 1980, Nepal has shifted to by this change and are finding it increasingly difficult.

MSMEs in Nepal:

- Most of the Nepalese MSMEs are involved in processing and manufacturing of food items, Consumer and household goods and textile and related products both for exports as well as the domestic market. Rice, Pulses, oil and flour mills dairy aerated soft drinks fruit juices and processed products, noodles biscuits and light snack products. Chocolates and candy, mineral water, dried vegetables and some other household utilitarian and consumption good have dominated MSMEs activities in Nepal. Due to development of infrastructure private sector invest in micro-hydro and resort cottage and small industry are also included in MSMEs.

Chapter-2

Exploring and Developing Entrepreneurial Competencies

Exploring and Developing Entrepreneurial Competencies:

[10 Hours]

1. Assessing individual entrepreneurial inclination
2. Assessment of decision-making attitudes
3. Risk taking behavior and risk minimization
4. Creativity and innovation in business
5. Enterprise management competencies

Introduction to Entrepreneurial Competencies:

- company is defined as the quality of being competent, adequacy, possession of required skill, Knowledge, qualification or capacity.
- Enterprise management competencies plays vital role in the different types of organizations.

Assessing Individual Entrepreneurial Inclination:

- Interest in entrepreneurship is intense in many parts of the world and this has arisen because of the association between new venture creating and economic development.
- There are several factors that are responsible for developing the individual entrepreneurial inclinations and they are explained below:
 - 1) **Intelligence knowledge:** The person having enough intelligence to handle a business can do that work in very effective and efficient. so a person with well enough intelligence of certain sectors having an inclination to do or start a new business related to the area of their intelligence where their intelligence can be used in effective and efficient manner.
 - 2) **Safe Employment Experience:** If an individual has a good part self employment experience on any business then he will be motivated to do the another business that can be done through the experience.
 - 3) **Work Experience Skill:** If an individual work on other business then he/she gains enough experience from that job which motivated them to start their own business and became their own boss.
So the work experience or skill gained from past job can be make sure them to achieve good motive force and activeness on handling their own business.
 - 4) **Educational Courses:** same Educational Courses of professional students like carpentering, mechanics, Jewellery, designing, writing etc may give them enough knowledge to start their own business by using the professional knowledge they gained from their course.
 - 5) **Creative Thinker:** The entrepreneurs are creative thinker at work. If the entrepreneur having high creativity or thinking capacity then they can drive a business in new directing and are of quick acting nature.
 - 6) **New Technologies:** The entrepreneur should be updated day by day and should have knowledge about technologies that are newly arrived.
 - 7) **Motives:** Motives are internal drives in an entrepreneur. It helps to achieve goals. Entrepreneur behavior is the result of motives to engage in performing better to achieve goals.
 - 8) **Attitudes:** Attitude motivate entrepreneurs to translate knowledge into practice through skills. Entrepreneurs have positive attitude towards pursuing excellence. They should have commitment towards goals achievement.
 - 9) **Initiative.**
 - 10) **Efficiency.**
 - 11) **High quality.**
 - 12) **Risk taking and minimizing behavior etc.**

Assessment of Decision making attitudes:

- Decision making is important part to come in competing for an enterprise. If an entrepreneur can't take right decision in right time, he/she may be out of competition.
- The approach makes assessment during various stages of entrepreneur's career. Assessments are:
 - Qualitative.
 - Quantitative.
 - Strategic.
 - Ethical.

Steps for Decision making: - The steps for decision making are as follows:

- Step-1: Identification of problems: - *At first, It is necessary to identify the problem. The types of problem is identified and then another steps are started.*
- Step-2: Analysis of problem: - *After identified problem, the reasons of problems are found out and analysis of problem with its reason are analyzed.*
- Step-3: Developing various alternatives: - *The various alternative are presented for solving those problems which are analyzed in steps-2.*
- Step-4: Selection of Best Alternative: - *The best alternative with respect to economic, social and other factor is selected from those alternatives presented in step-3.*
- Step-5: Implementation of Decision: - *The final steps for decision making is implementation of decision. In this step, The decision is gone into implementation.*

Risk Taking Behavior and Risk Minimization:

Risk Taking Behavior:

- Risk is the possibility of harm, it is known as threaten of damage. Risk are related to financial, physical and others.
- The risk taking behavior is very important for an entrepreneur. For being a successful entrepreneur the entrepreneur should have the capacity of accepting problems, taking risks with respect to work and should have patience during problems.
- If there is no risk there is no profit. so, entrepreneur should have the ability to take risk at all time. The risk are in the form of chance or uncertainty. when a work is high risk, it means to return is uncertain.
- In general entrepreneurs accept four types of risks as following:-
 - Financial risk.
 - Job risk.
 - Social and family risk.
 - Mental risk.

Risk minimization:

- It is the process of doing everything possible to reduce the probability or impact of risk towards zero. For every potential risk a system of controls needs to be implemented to reduce the amount of risk.
- All businesses need to assess the risk within their firms and in their industries to come up with the best ways to reduce the chances of risk.
- Entrepreneurs must plan wisely in terms of budgeting do swot [strength, weakness, opportunities and threats] analysis that they are considering risk by creating a realistic business plan.

The ways for risk minimization:

For the following ways the risk involved in business as well as entrepreneurship can be minimized.

1. **Proper planning:** - *If there is proper planning in business or other is a business plan the risk can be reduced and not more risk growth.*

2. **Well Decision Making:** - *The right decision taken in right time with right person helps to reduce risk involved in business.*
3. **Join with insurance:** - *If entrepreneur join with insurance then insurance helps in loss condition. In this way we can reduce financial risk.*
4. **Create a management risk plan:** - *The management risk plan should be created by an entrepreneur to handle business uniformly while little problems take place.*
5. **Following Safety rules and regulation:** - *Proper following of safety rules and regulation of business company also helps in minimization of risks.*
6. **Expand the offering of the business.**
7. **Stick to short-term commitments.**
8. **Review the existing system of the internal controls.**
9. **work with an internal control consultant etc.**

Creativity and Innovation in Business:

Creativity:

- Creativity is defined as the ability to bring something new into existence. it is also the driving force behind innovation and the incorporation of looking at things from different perspective and freedom of restriction by rules and written or unwritten norms.
- Creativity improves the process of solving problems. Therefore for the success enterprise or to become a successful entrepreneur, entrepreneur must be creative and should use creativity in business.
- Creativity is a function of knowledge curiosity imagination and evaluation. The greater your knowledge base and level of curiosity, the more ideas, patterns and combination you can produce products and services.

Process of creativity:- *The process of creativity has five stages:*

1. Idea germination.
2. Preparation.
3. Incubation.
4. Illumination.
5. Verification.

Innovation:

- Innovation is defined as the process of doing new thing or converting new ideas into action bring new products or new service into reality.
- Innovation is the translation of an idea into an application. it requires persistence in analytically working out the details of product design or service to developing marketing obtain finances and plan operations.
- Innovation is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth. it is important to recognize that innovation implies action not just conceiving new ideas.

Difference between creativity and innovation:

S.N	Creativity	Innovation
1.	Creativity is the ability to bring something new into existence.	Innovation is the process of doing something new things new products into reality.
2.	Creativity is pre-required for innovation.	Innovation transfers the creative ideas into useful realities.
3.	Creativity is the act of conceiving something new.	Innovation is the act of putting that concept into practice.
4.	Creativity is imagination.	Innovation is implementation.

5.	A creative individual may just have a vision may not have the necessary or the drive to convert the idea into action.	An innovation may have the right ability to transform the ideas into products and the services but it may suffer from shortage of creativity.
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Strategies for increasing creativity and innovation:

1. Truly creativity people have developed their ability to observe and to use all of their senses.
2. Expand the knowledge continually for innovation.
3. Be careful about perceiving things.
4. Practice guided imaginary as you can see a concept to come to life.
5. Try to do something different than other.
6. Come up with ideas but selection of best for innovation.

Enterprise Management Competencies:

- Enterprise Management Competencies plays vital role in the different types of organization. The aim of enterprise is to move the performance of their employees still further and further competencies detect the difference between average and excellent manager.
- Manager can motivate their staffs employees for the competitive employee formation. For competitive management it is necessary to have theoretical and analytical knowledge.
- There are mainly three management competencies which are:
 1. General management competencies.
 2. Specific management competencies.
 3. Key managerial competencies.

Enterprise Management Competencies:

- Competency to manage the business.
- Competency to manage human resource.
- Competency to promote the business.
- Competency to manage sales efforts.
- Competency to keep business records.
- Competency to manage the finances.
- Competency to manage customer credit and collection.
- Competency to protect the business.

Entrepreneurial Competencies:

- Initiative
- Systematic planning.
- Creativity and innovation.
- Risk Taking and Risk management.
- Problem solving.
- Persistence.
- Quality Performance.
- Information management.

For management Competencies following thing are necessary:

1. **Communication:**
 - If enterprise management has good skill of communication he can get faster information follow it from which he became more success than other. Good communication skill increases relation with stakeholders. It helps as advertisement.

2. **Motivating:** For being competitive it is necessary to have good skill of motivation for enterprise management for which employees staffs work with there full efficiency. it increase productivity it helps for teamwork.
3. **Organizing:** In an enterprise management it can organize he staffs employees. It can choose quality workes. Management can manage right man in right place in right time.
4. **Patience:**
 - For completion it is necessary patience for management. In absence of patience management can decide at fast and it may wrong. Management can decide without analysis of various factor from it, Enterprise becomes in loss. So we can say patience is necessary for competition.
5. **Building effective team:**
 - For competition management can build effective teams for which work is finished in time. If the management in able to make a effective team, then effective team will increase the productivity in business.
6. **Contolling:**
 - Proper controlling in system and business also will increase the peoductivity in business and also give more benefits and sastistacyion to entrepreneurs.

Chapter-3

Business Identification and Selection

Business identification and Selection:

[4 Hours]

1. Sources and method of finding business idea(s)
2. Selection of viable business ideas
3. Legal provisions for MSMEs in Nepal

Introduction: The ability to identify business opportunities is an essential characteristic of an entrepreneur. So, the entrepreneur should be capable in identifying opportunities source for creating a new venture and section of business. This is an important stage such that it can affect the whole process including that of sustainability of the business after completion and transferring to operational phase.

Source and method of finding business ideas:

Source of business ideas: Business ideas are thoughts that when implemented can lead to income generation. Entrepreneurs must first come up with ideas from different sources that should lead them to starting a well-planned business.

The source of business ideas are explained below:

1. **Surveys:** Business ideas can be generated from market survey indicating which sector is viable or possibly void of products. People can check the market to come out with appropriate conclusion on which sector are not flooded or occupied.
2. **Training:** Business ideas can be acquired through training individuals where they are equipped with necessary skill and knowledge from school and such other instructions of training.
3. **Experience:** An idea can also be generated from experience. Experience itself comes from constant touch on a particular aspect.
4. **Hobbies:** Many people have started business converting hobbies into money-making opportunities. Examples:- sport, music, cooking, photography, comedy etc.
5. **Market gaps:** Spotting a gap in the market can also form an idea. A market gap in this case is used to mean some important area that is not occupied.
6. **Customer needs, complaints and suggestions:** The business ideas are also generated from needs of people in daily life and also from the suggestion and complaints of dissatisfied customers from products in market.
7. **Strength and abilities.**
8. **Media.**
9. **Current trends.**
10. **Travels etc.**

Method of finding business ideas:

→ For new entrepreneur need to find business ideas source and how to use them. Some method of finding/generating new business ideas are as follows:

1. **Brainstorming:** It is an unstructured method for finding new business ideas through group creativity. A group of people meet together to find out ideas with focus on specific product or market area. In this method free-wheeling is encouraged, criticism not allowed, combination and improvement of ideas are encouraged.
2. **Focus group:** In this open in-depth discussion are applied 8 to 14 participants make a group and discuss. They develop new product ideas by comment from other group member.

3. **Problem Inventory Analysis:** A group of individual is provided with a list of problem They are discussed about it and generates new ideas of business.
4. **Checklist method:** It this method provide a list of related issues and generate new ideas by discussing those issues.
5. **Attribute listing:** New ides are developed by looking at positive and negative from various points.
6. **Big Dream Approach:** It is clear from name i.e. there is thiking deeply about problems and solutions.
7. **Scientific Method:** In this method new idea is developed through inquiry and testing. It includes problems defining gathering analyzing data valuating alternative solutions.
8. **Forced Relationship:** New idea is developed by looking at production combinations.
9. **Value analysis:** In thismethod idea is developed by evaluating worth or aspects of ideas. Value maximumization is its main aim.

Selection of viable business ideas:

Following steps should be followed while secting a nusiness idea;

- 1) **Evaluation of ideas:** *Evaluation is done in terms of:*
 - a) **Profit test:** The idea should have profit potential. The idea having more profit is mor vible or best.
 - b) **Constraing Test:** In this test the idea should be suit for the financial way manpower time and other factors faced by ebtrepreneur. Ideas are suitable with social cultural system.
 - c) **Risk Test:** Ideas are evaluated in time of amount of risk in entrepreneur. The idea which has low risk is referied o selection. Risk has also various types such as ideas risk process risk. For it risk analysis is done to get risk less idea.
 - d) **Assess to customers:** If one has assess the customers then it would be easy for them to start the business because they will not have to work hard to find the customers for their products.
 - e) **Financial ability:** Before selecting a business idea one needs to evaluate the financial ability of the individual to open and finance the business.
 - f) **Resources avilability:** The resource like raw materials human resource capital machine etc plays a vital role in selecting the business idea. The idea that has easy access to such resources is selected.
 - g) **Selection of best ideas:** After evaluating in different view the combine conclusion is taken and slection of best idea is done whice is most suitable as whole. Evaluting ideas can be classified into three types;
 - I. **Promissing ideas:** They are possible idea for new oppurtunity from it best idea is choosen.
 - II. **Marginal:** They are stored for future use.
 - III. **Rejected ideas:** They are dropped.

Legal Provision of MSMES in Nepal:

- In nepal small and medium enterprises are growing up. They are registered in small and cotttage industry department in central level and in district level, there are district office. In present time local government also looks its activites. They are also registered in “Gaupalika and Nagarpalika”. They are also registred tax office for tax.
- Nepal chamber of commerce and industry in their profissional organization MSMEs play vital role in national crop. It creates a lot of employment.
- According to industry policy 2010, a defined micro enterprise is;
 - 1) Fixed investment uoto NRs.200000 except land and building.
 - 2) Employment upto 9 members including entrepreneur.
 - 3) Amount of annual tronscation is less then NRs.2000000.
 - 4) Use of power or energy less then 10KW.
- The time between 1999 and 2011, 53345 micro-enterprises are created by MEDEP in nepal.
 - Male entrepreneurs 32.10%.
 - Female entrepreneurs 67.90%.

Factors affecting Entrepreneurship Growth:

- Entrepreneurial growth refers to overall growth in terms of profit sales and goal achievement over a specific time.
- Entrepreneurship does not grow automatically and spontaneously. Factors that affect its growth can be classified into following categories:

1. Economic Factors:

- Markets.
- Capital.
- Labour.
- Raw materials.
- Industrial policy.
- Fiscal policy.

2. Social factors:

- Social mobility.
- Security.
- Legitimacy of entrepreneurship.

3. Political factors:

- Political stability.
- Political ideology of government.
- Nature of change in political ideology.

4. Psychological factors:

- Need for achievement.
- Perception and motivation.
- Learning and personality.

5. Legal Factors:

- Income tax law.
- Labor law.
- Wage law.

Chapter- 4

Business Plan Formulation

Business plan Formulation: [17 Hours]

1. Needs and importance of business plan 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 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. Organizational and human resource plan • Legal status of business • Management structure • Required human resource and cost • Roles and responsibility of staff 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 6. Business plan appraisal • Return on investment • Breakeven analysis • Risk factors

Business Plan:

- A business plan is a formal written document containing the goals of a business the method for attaining those goals and the time frame for the achievement of the goals.
- The main purpose of business plan is to identify describe and analyze a business opportunity. And if a business already under way examining its technical economical and financial feasibility.

Needs and important of business plan:

Needs of Business Plan:

Following are the basic needs of business plan are;

- To map the future.
- To support growth and secure funding.
- To develop growth and secure funding.
- To develop and communicate a course of action.
- To help to manage cash flow.
- To support a strategic exit.
- To better understand the competition.
- To better understand the customers.
- To assess the feasibility of your venture etc.

Importance of Business Plan:

From following reasons the business plan is important;

- It is necessary to register in government office and to get benefits from government and others.
- It is also known as road map of business.
- It helps to get partners if necessary.
- It is necessary to achieve goal in time and to be successful.
- It describes the opportunity and threat of business.
- It helps to know the financial and other requirements required.
- It sets the objectives for management of business.
- It also provides insight on steps to be taken resources required for achieving business goals and timeline of anticipated results.

Marketing Plan:

- The aim of marketing is to know and understand the customer so well the product or service fits and sell itself. A marketing plan .
- Is a guide to successfully promoting and growing a business.
- It good marketing plan will help us for some important factors.
 - a. Position of company in the market.
 - b. Differentiate from competitors.
 - c. Dealing with customer.
 - d. Goals of our sales etc.
- Good marketing plan is important to grow business by using our resources.
- Marketing plan is a part of business in which description of product service of business market and customer of business estimation of marketing demand market share promotion activities are include.

Description of product or service:

- In marketing plan the type of service or product quality of product are described. The product or service should be suitable with market and customer.
- Describe how the company's products and services will differ from the competition. So explanation of nature of the products or service its uses and value etc its necessary to grow up business in market.

Targeted market and customers:

- To build a solid foundation for business, a business must identify his typical customer and tailor your marketing pitch accordingly. Small business can effectively compete with large companies by targeting a special market. More a business holder knowing carefully about market and customer will able to connect with them easily. So, the market and customers.

Location of Business Establishment:

- Determining the location of business is arguably one of the most important decision a small business owner or for establishment.
- In marketing plan location of business is very important business better location in many points of view related to business will give better result and profit in future.
- Following things should be considered in choosing location of business.
 - a. Financial factor should be considered.
 - b. Movement of people should be high.
 - c. Availability of new Material and employees.
 - d. Transportation and electricity availability.
 - e. Tax for business etc.

Estimation of Market Demand:

- When anyone starting business it is very important to understand the demand for their products. Less produces in product will lose money for missed opportunities and more produce than customers demand also will loss in business. So, calculate the demand for the goods based on your sales publicly available data or your own survey of customers.
- So, the estimation of future demand of product is necessary to decide the quantity of production and over cost of production can reduced-because production can not stocked highly.
- Estimate consumer demand based on sales. Calculate the average monthly sales value of each item or group of items this will give and estimate of demand.

Competitors Analysis:

- A competitive analysis is a critical part of company marketing plan. A competitors analysis should be done with the competitors products services and then quality feature and price growth pattern, Marketing objectives and assumptions current and past strategies organizational and cost structure strengths and weakness, size in sale of competitors business etc. From it business can change his strategy about market price customer and can go ahead with competitions.
- So the competitors analysis is also a very important factor in marketing plan to grow-up business with competitions as present days.

Estimation of Market Share:

- A percentage of total sales volume in a market captured by a brand product or company the share market value is changed day by day it is called variation in share value. In the time of variation of share market we can buy when it is decrease and sell when it is increase which gives more benefit.
- The current marketing situation should be known by a business starting person which includes.
 - a. Present data on the market.
 - b. Market situation.
 - c. Product situation.
 - d. Competitive situation.
 - e. Distribution situation etc.
- So, the estimate of market share also becomes necessary to handle business with situation without loss.

Measure for Business Promotion:

- A business promotion includes profits sales volume customer satisfaction and achievement set of goals.
- In order for a promotion to be profitable incremental customer sales must increase and the cost of obtaining price. From planning to implement to analyzing, the entire process of promotion is vital to make it success.
- In marketing plan, the promotion activities are described like advertisement in radio television newspaper pamphlet social medias etc.

Business Operation Plan:

- The operation plan is section of business plan in which process of product fixed assets for business of capacity utilization depreciation and amortization overhead cost of business are included.
- The operational plan will vary based on the kind of business you run. In most cases entrepreneurs start tackling the challenge of writing a business plan before the business exists.

Process of Product or Service Creation:

- Every entrepreneur knows that productivity is one of the key ingredients for successful product development. In operational plan the process of product is described like the plan gain of raw materials the steps in production the method of service provide to customers.
- The product or service creation is determined by the following ways;
 - a. Technical specification- Determine the product design.
 - b. Production process and Technology .
 - c. Business analytics.
 - d. Testing the concept.

Required fixed assets:

- In operation plan fixed assets for business is written like cost of land cost of building cost of machines etc.

- It studies the financial support needs for new venture and to collect exact money for the business before start. Generally high technology business required large amount of money. So that when we start business we should determine the source of money first and manage how and where it reequirds.

Level of capacity Utilization:

- The capacity utilization rate measures the promotion of potential economic output that is actually realized. It is calculated as;

$$\text{Capacity rate} = \frac{\text{Actual outpute}}{\text{Potential output}} * 100\%$$

- Capacity utilization is an important operation for business and it is also a key economic indicato when applied to aggregate productive capacity. The conceptt of capacity utilization is the best applied to thr production of physical goods which are simpler to quantitate.
- It also categories in the following points;
 - a. Breacking capacity utilization rate.
 - b. Corporate capacity utilization.
 - c. Historical capacity utilization rate.
 - d. Effect of low capacity.
- In operation plan the efficiency of equipment and employees are calculated which help in decision making.

Depereciation and Amortization:

- Deprecation refers to prorating a real cost that assets life.
- Amortization usually refers to spreading an incapale assest cost over that assets useful life.
- Deprieiation and Amortization are accounting and tax payment methods that let business owner spread the costs for major purchases and financing project over time.
- Deprieiation aand amortization give small business an advantage because they create more steady accounting of expennes and profits making it easier to budgest and making tax payment more consistent.
- It is important to mention that these method are calculated by subtracting the assets salvage value fro iys orginal cost.

Estimate ion of office overheads and utilities:

- It includes in eveery estimate for any construction or renovation project are overhead cost which are generally added as a percentage to sum of labour materials and equipment.
- Overhead cost are categorized into two types;
 1. Indirect expense (government overhead costs):
 - a. Office expense [offices supply Utilizes, insurance, phone taxes etc.]
 - b. Staff salary[staff which are not directly employment in specific project.]
 - c. Miscellameous [Travel expenses legal fees, contracted professional service.]
 - d. Depreciation expense.
 2. Direct Expense [job overhead cost]
 - a. Project specific salaries.
 - b. Temporary office facilities.
 - c. Other temporary enclosures.
 - d. Temporary utilies [Temporary water, heat, electricity, fuel etc.]
 - e. Sanitation facility and drinking water etc.

Organization and Human Resource Plan:

Organization Planning:

- Organization planning is the process of defining a company's reason for existing, setting goals aimed at realizing full potential and creating increasingly discrete tasks to meet those goals.
- The five process steps of organizational planning are;
 - a. Develop strategic plan.
 - b. Translate into tactical plan.
 - c. Create operational plans.
 - d. Execute plans.
 - e. Monitor, Progress and adjust.

Organization plan:

- The organization plan is a part of the business plan that details the enterprise's form of ownership. It provides detailed information about the who has what kind of authority in the enterprise and how each member of enterprise deal with other while executing their managerial functions.
- Organizing your work and planning ahead helps to be more efficient and productive. Being well-organized and developing effective plans also help you to achieve important goals and the objectives.

Steps for successful organization plan:

1. Decide whether it's right time to plan.
2. Look at your mission.
3. Assess the external and internal situation.
4. Hear from stakeholders.
5. Make decision about goals and strategies to meet them.
6. Write the plan.
7. Act on the plan.

Human Resource:

- Human resource is the company department charged with finding, screening, recruiting and training job applicants as well as administering employee-benefit programs. Human resource plays a vital role in helping companies deal with a fast changing environment and the greater demand for quality employees.

Human Resource Planning: [vimp]

- Human resource planning is a process that identifies current and future human resource needs for an organization to achieve its goals. Human resource planning should serve as a link between human resource management and the overall strategic plan of an organization. The objective of human resource planning is to ensure that best fit between employees and a job while avoiding manpower shortage or surpluses.
- The five steps of human resource planning process are;
 1. Breaking down human resource planning.
 2. Analyzing present conditions.
 3. Forecasting future demand.
 4. Striking a balance.
 5. Integrating the plan.
- The overall goals of human resource planning are to have to optimal amount of staff to make the most money for the company. Because the goals and strategies of company change overtime human resource planning is a regular occurrence.

Legal status of business:

- The legal structure can be taken for new business is determined in terms of its appropriateness.
- Legal status refers to the legal identity by which a person entity association or company is recognised with sufficient capacity for taking an obligation and carrying out activities that incur full legal responsibility regarding themselves and third parties.
- The three legal forms of business are;
 1. Sole trader business.
 2. Partnerships.
 3. Company (Joint stock company)

Company Registration:

- For company registration various documents must be registered at company connection setting out internal relationship within the company and external relationship with third parties.
- A company registration procedure also needs some finance to be paid along with registration fee. It differs for a private company and a public company.
- The company that generates money by public participation are public companies and those companies which are run by the owner without the permission to have public participation in purchase of shares are private companies.
- A public company can only start trading a share on the stock exchange once it has carried out all the paperwork. A private company does not sell its shares to the wider public; shares can only be traded with the permission of the board of directors.
- Public companies are committed in law to have an annual general meeting of shareholders. Public companies have a number of legal obligations such as to produce an annual report and statement of accounts. There are more formalities and paper work associated with setting up a public rather than a private company.

Document Required for Registration:

- The following documents are required for company registration;
 1. Memorandum of association of proposed company.
 2. Articles of association of proposed company.
 3. Copy of the agreement.
 4. Approval license (for industrial business etc.)
 5. Incorporation decision of its boards of directors.
 6. Approval under the foreign investment and technology transfer act.
 7. Powers of attorney etc.

Patent and its Registration:

- A government authority or license conferring a right or title for a set period especially the sole right to exclude others from making, using or selling an invention. The term patent usually refers to the right granted to anyone who invents something new, useful and non-obvious.
- To receive a patent the inventor should follow the following steps;
 1. Establish the invention's novelty.
 2. Document the device.
 3. Search existing patent.
 4. Study search results.
 5. Submit patent application.
 6. Receive patent.

Trademark and its Registration:

- It is a logo mark name symbol of company uses to identify and distinguish its products from those of others. It should be sufficiently distinctive from those competitors. The owner has fully authority to use the trademark. The right of use can be licensed or sold to others.
- A trademark exclusively identifies a product as belonging to a specific company and recognizes the company's ownership of the brand.
- It can be done filing an application to appropriate government authority. It should be unique. It should not be a copy trademark which is not used recently. Search of existing trademark should be done before filling and application.

Copyright and its Registration:

- It protects "works of authorship" such as writing art, architecture and music. As long as for copyright effect its owner has the sole right to display, share, perform or license the material. One notable exception is the fair use doctrine which allows some degree of distribution of copyrighted material for scholarly educational or news reporting purposes.
- Copyright refers to the legal right of the owner of intellectual property. In simpler terms copyright is the right to copy. This means that the original creators of products and anyone they give authorization to are the only ones with the exclusive right to produce the work.
- *The authority and originators get automatic copyright. Formal registration is also possible.*

Trade secrets:

- It is a process or information of commercial values that a business possesses. It gives more advantage in business.

Legal Environment for Entrepreneurship:

- Legal provision that affects entrepreneur which is called the legal environment. They affect entrepreneurial policies and practice. It can be to the entrepreneurial activity and they can select wrong or right.
- Legal environment consists of rules, regulations, law and ruling of the courts of law.

Management structure [Human Resource Management]:

Human resource management is the management of human resource and consists of procurement, development, utilization and maintenance of company. It is a function in organization designed to maximize employee performance in service of an employment strategic objectives.

Human resource is primarily concerned with the management of people within organization and typically undertakes a number of activities including employee benefits design, employee recruitment, training, development, performance appraisal and rewarding system. Human resource also concerns itself with organizational change and industrial relations that is the balancing of organization practices with requirements arising from collective bargaining and from governmental laws.

Human refers to the skilled workforce in the organization. Resource refers to limited availability of source. Management refers to maximize or proper utilization and make best of limited and a source resource.

Objective of Human Resource Management:

The objectives of HRM are categorized in following forms;

1. Social objective.
2. Organizational objective.
3. Personal Objective.

Social objective: To be socially responsible for the needs and challenges of society while minimizing the negative impact of such demands upon the organization, the failure of organizations to use their resource for society.

Organizational objective: Organize the human resource management exists to contribute to organizational effectiveness. HRM is not and in itself it is only a means to assist the organization with its primary objectives.

Personal Objective: To assist employees in achieving their personal goals at least to the extent as these goals enhance the individual contributions to the organization.

Objective of HRM:

1. To achieve the organizational goals by proper utilization of human resources.
2. To develop and maintain healthy working relationship among all the employees.
3. To integrate individual and group goals within an organization.
4. To identify and satisfy individual and group needs.
5. To motivate the employees and keep their morale high.
6. To develop the human assets continuously through the training and development programs.

Function of Management /HRM functions:

Planning: It is a basic function of HRM. It is concerned with determination of goals to be achieved. Hence, planning is thinking before doing. It involves selection of goals and strategies, policies, program and procedures for achieving them. Good planning is essential to ensure proper utilization of human and non-human resource to achieve the pre-determined goals.

Organizing: Organizing has a major role in implementing plans successfully. Organizing may be defined as identifying or grouping activities to be performed, assigning them among individuals and creating authority-responsibility relationship among them. It is the collection and integration of various factors required to achieve the planned goals.

Staffing: Staffing is concerned with human resource. Its aim is to fit individuals and jobs in the organization structure by appointing competent and qualified persons for the jobs.

Directing/Leading: After goals have been developed and the organization structure has been designed and staffed, the next step is to begin to move toward the goals. The leading purpose serves this purpose. Leading as well as directing involves influencing members of the organization to achieve objectives.

Controlling: Controlling is related to all other management functions. It is the process of measuring and comparing operating results with the plans and taking corrective action when results deviate from plans.

Recruitment and selection:

Recruitment: Recruitment is an activity to find people who like to join organization. It is the process of inviting candidates for applying to job through various modes in which organization asks for selection takes place only after inviting candidates. Hence, recruitment is the only way to raise manpower needed for an organization.

Recruitment happens before the selection process of candidates.

Selection: Selection is the process of hiring employees among the short-listed candidates and providing them a job in the organization. Candidates who are identified as right qualified persons will be invited to the selection process which involves different kinds of tests for knowing knowledge, skills and attitude that are required for performing the job.

Training: Training is the process for providing required skills to the employee for doing the job effectively, skillfully and qualitatively. Training of employee is not continuous but it is periodic and given in specified time. Generally, training will be given by an expert or professional in the related field or job. Training is required in every stage of work and for every person at work. To keep one-self updated with the fast-changing technologies, concepts, values and environment, training plays a vital role. Training is also necessary in any organization for improving the quality.

Training involves time, effort and money by an organization. So an organization should be very careful while designing training program.

Importance of Training:

- Training is an important part of human resource management in modern organizations. It involves positive change in knowledge, skill and attitude of employees of the job. Training is critical for organization development and success. It is fruitful to both employers and employees of an organization. An employee will become more efficient and productive if he is trained well.

Types of Training:

1. Orientation training.
2. Pre-service training.
3. In-service training.
4. Specialized training.
5. Trainers training

Required Human Resource and Cost:

Method of valuation of HRM:

1. Historical cost approach.
2. Replacement cost approach.
3. Opportunity cost approach.

Human Resource Accounting

- Human resource accounting is the process of assigning budgeting and reporting the cost of human resource incurred in an organization including wages and salaries and training expenses.
- Human resource accounting is the activity of knowing the cost invested for employees toward their recruitment training them.

Balance Sheet

- A balance sheet is a statement of the financial position of an organization at a certain date. It is generally prepared at the end of financial year.
- In the balance sheet assets and liabilities for an organization are determined. At the end of the balance sheet total assets must be equal to the total of liabilities.
 - **Assets:** Assets are the things which have a value and we are the beneficiary of those. Eg:-land, house, bank deposits, stocks, money receivable from others.
 - **Liabilities:** Liabilities are the things which have a value and we are the one who has to make those payments. Eg:- Salary to employees, loan etc.

Cost Accounting:

- It refers to the application of the principle of accountancy to ascertain the cost per unit of goods or service or process. It is concerned with classification, recording and appropriate expenditure for determination of the cost of product or services and for presentation of data to the management for planning, controlling and decision making.

→ Objectives of cost Accounting:

1. To analyze and ascertain the cost.
2. To control the cost.
3. To communicate real cost situation of production activity.
4. To find out the point of inefficiency and carelessness.

5. To optimize the cost.
6. To support pricing decision.

Steps involved in staffing: The staffing involves following steps;

- Manpower requirement.
- Recruitment.
- Selection.
- Orientation and replacement.
- Training development.
- Remuneration.
- Performance evaluation.
- Promotion and transfer.

Important of staffing: It is important because of following reasons;

- a. To increase the size and complexity of organization.
- b. To change the technology rapidly.
- c. Human resource are considered as human assets.
- d. Good staffing result in avoidance of mistakes.
- e. Suitable staffing help to plan and manage change better.
- f. It improves productivity and effectiveness of an organization.

Role and Responsibilities of staffs:

- There are same roles and responsibility of staff (Employees and business partners) which are;
- 1. **Technical Expert:** Employees and business partners may have the roles of technical expert. They must be able to perform the work properly. They have to play the role of individual with all the required skills and competences to undertake their various tasks in the partners incur several responsibilities such as ensuring that they perform according to mission goals objective and expectation of the organization.
- 2. **Team playing:** Employees and business partners work in a team. Employees and business partners fulfill this responsibility by attending meetings contributing to decision making and problem solving and participating in organizational projects. They have to accomplish more task effectively and within less time period.
- 3. **Managing:** Employees and business partner in their different levels are responsible for managing one or more business aspects. The employees should be responsible for assigned department and the business partners should be responsible for managing the decision making processes and overseeing business operation completely.
- 4. **Development:** They both have the roles of business developer. This means they have the responsibility of growing the organization especially in terms of profitability. They are the greatest assets that make a business profitable. When they neglect their roles and responsibility then profitability of a business is substantially threatened.

Financial Plan

Introduction:

A financial plan is a document containing a person's current money situation and long-term monetary goals as well as to achieve those goals. Good financial planning should include details about cash flow, saving, debt, investments, insurance and any other elements of financial life.

A financial plan may be created independently or with the help of a certified financial planner.

Working capital Estimation

Working capital is that amount which is required to run the week. It is a financial metric which represents operational liquidity available to a business organization including governmental entities. Working capital also known as net working

capital is the difference between a company's current assets and its current liabilities. Working capital is calculated by using ratio i.e, Current ratio = $\frac{\text{current ratio}}{\text{Current liabilities}}$

Method for Estimating working capital Requirements

Following methods are adopted for estimating working capital;

1. Percentage of sales method

In this method working capital is assumed nearly 40% of sales. If the expected sales are 1000 million dollars, 400 million dollars would be required as working capital. Advantage of this method is that it is very simple to understand and calculate also. Its assumption is difficult to true for many organization so it is not useful.

2. Regression Analysis Method

It is statistical estimation. The method expresses the relationship between revenue and working capital in the form of an equation. I.e, [working capital = Intercept + slope * Revenue]. The slope is the rate of change of working capital with one unit change in the revenue. Intercept is the point where regression line and working capital axis meets.

3. Operation cycle method

This is probably the best method because it takes into account the actual business or industry situation into consideration while giving an estimate of working capital. It states that longer the working capital operation cycle higher would be the requirement of working capital and vice versa.

Working capital = cost of goods sold + $\frac{\text{No. of days of operating cycle}}{365 \text{ days}}$ + bank and cash balance.

In this method each component can be calculated.

Pre-Operating Expenses

In financial plan the expenses before operating are known as the pre-operating expenses. Pre-operating expenses include any expenses incurred during the start-up or formation of a new business. They include expenses related to investigation of a potential new business as well as the actual costs associated with forming or registering the company.

Pre-operating expenses may also include accounting cost incurred while preparing to apply for a business loan or when evaluating the credit worthiness of potential investors. Example; fee paid to the government agencies, Lawyers also be including in pre-operating cost. The common example of pre-operating expenses are rent and utilities wages and salaries accounting and legal fees, property taxes etc.

Source of investment and financial cost

Capital Investment

Capital investment refers to funds invested in a firm or enterprise for the purpose of furthering its business objective. Capital investment may also refer to a firm's acquisition of capital assets or fixed assets such as manufacturing plants and machinery that is expected to be productive over many years. Source of capital investment are equity investment banks financial institution and venture capital.

Financial cost

It is the cost and interest and other charges involved in the borrowing of money to build or purchase assets. The total expense associated with securing financial for a project or business arrangement.

Types of source of finance

Source of finance are mainly categorized in two types;

1. Internal source of finance;

- ✓ It is coming from the trading of business sector.

- ✓ Day to day expenditure in cash to customer for selling product or money covered from the customer credit.
- ✓ waste of any surplus assets example selling a company car or machinery.

2. External source of finance:

- ✓ It comes from the undividable business or organization that does not trade directly business. Example- bank,, Investment, Government.

Per unit cost of service or product

cost per unit can be defined as the amount of money spent by the company during a time period for producing single unit of the particular product or service. cost per unit is the measured of a company's cost to build or create one unit of product. Usually cost per unit involve the variable cost and fixed costs.

$$\text{Per unit cost} = \frac{\text{Total cost of production}}{\text{Number of production}}$$

For becoming competitive per unit cost should be low. It provides a dynamic overview of the relationship between revenues, costs and profits.

Unit price and profit-loss Estimation of first year

Unit price

A price for a service or product or commodity that includes all extra costs incidental to the item is termed as unit price. predetermined price for a quality of work to be performed including price charged for labour, material and associated services such as equipment rental.

Unit price = per unit cost + (margin + commission for agent + transportation expense per unit).

Profit-loss Estimation in first year

For profit-loss estimation following two financial statements are created;

1. Profit and loss account

It is one of the most important objectives of a business is to make profit. It shows the profit and loss of business over a given period. Typically the profit and loss account will show the revenues received by a business and the costs involved in generating that revenue is;

$$[\text{Revenue} - \text{cost} + \text{profit}] \dots \dots \dots (1)$$

2. Balance sheet

A balance sheet is a statement of the financial position of an organization at a certain date. It is generally prepared at the end of financial years. In balance sheet, assets and liabilities are determined. Assets include fixed assets (land, building, machine, furniture etc.) and floating assets include goodwill, investment etc. Similarly the liabilities include fixed liabilities (long term loans) and current liabilities (short-term loans, bills payable) bank overdraft etc.

Business plan Appraisal

The purpose of a formal appraisal of a business is to estimate the value of the business. Usually for the purpose of insurance coverage or for the sale or purchase of the business. Although an appraisal uses a great deal of calculations and objective research, it is still an estimate.

Methods of project Appraisal

1. Economic Analysis.
2. Financial Analysis.
3. Market Analysis.
4. Technical feasibility.
5. Management competence.

Return on Investment

Return on investment [ROI] is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. It tries to directly measure the amount of return on a particular investment, relative to the investment's cost.

$$\text{Rate of return on investment's} = \frac{\text{Current market (sales) value} - \text{Initial cost}}{\text{Initial cost}} \times 100$$

In this method there is calculation of time period in taking return of investment. The low time period in return investment is good. A company is considering an investment costing Rs. 20 million projected return extend over four years.

Year	Cash in flow	Cash out flow	Cumulative cash flow
0	-	20	20
1	6	-	14
2	8	-	6
3	12	-	6
4	10	-	16

The average annual return as a percentage of the investment is;

Total expenditure outly=Rs.20 billion.

Total returns=Rs.36 billion.

Net returns=36-20=Rs.16 billion.

$$\text{Average annual return} = \frac{\text{Rs.4 million}}{\text{Rs.20 million}} = \text{Rs. 4 billion}$$

$$\text{Average rate of return} = \frac{\text{Rs.4 million}}{\text{Rs.20 million}} \times 100\% = 20\%$$

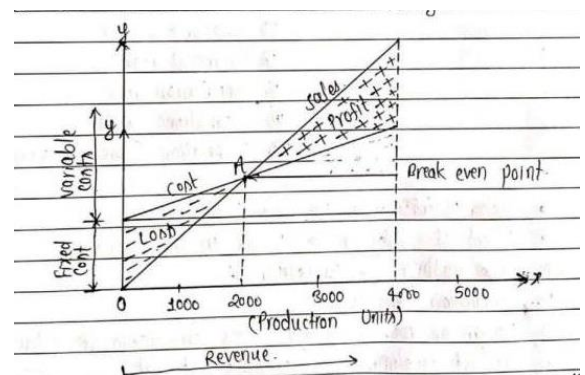
[ARR=20%]

Break Even Analysis

Break even analysis is a technique usidely usidely used by production management and management accountants. It is based on the categorizing production cost between those which are "Variable" (costs that change when production output chainages) and those which are fixed (costs not directly related to the volume of production).

In this method break even point is foundout. The point wherw sales line and costs line cross each other in graph or in other words wherw the condition of "No loss and No profit" is known as break even point and the analysis to findout break even point is known as break even analysis. Fixed assest variable assest, sales, revenue are related term in break even analysis.

In figure a is break even point[BEP]. for gaining profit there is necessary to product more than 2000 production units.



Risk Factors

Business risk is the exposure a company or organization has to factors that will lower its profits or lead it to fail. Anything thatt threatens a company ability to achieve its financial goals is considered in business risk.

The probility of the company success must be considered in the light of peoblems expenses defficulties complicatio and delays frequency encountered in the connection with the expansion of the business operation in a competitive industry.

Risk factors in business

1. Economic risk.
2. Security and fraud risk.
3. Compliance risk.
4. Financial risk.
5. Reputation risk.
6. Operation risk.
7. competition risk.

Factors affecting business plan

1. Effect of unfavourable trends in the industry.
2. Price cutting by competitors.
3. Economic condition.
4. Design of manufacturing cost in excess of estimates.
5. Product development schedule not met.
6. Unplanned for new competition.
7. Management teams break up.
8. Changes in government policies and rules.
9. Technological advances.
10. Customer base and market acceptance etc.

Marketing plan and its Components

A marketing plan is an operational document that outlines an advertising strategy that an organization will implement to generate leads and reach its target market. The marketing plan details the strategy that a company will use to market its products to customers. A marketing plan also includes a description of the current marketing position of a business, a discussion of the target marketing position of a business, a discussion of the target market and a description of the marketing mix that a business will use to achieve their marketing goals.

Components of Marketing plan

The main components of a marketing plan are as follows;

1. Executive summary.
2. Situation analysis.
3. Desired target market.
4. Marketing goals and objectives.
5. Marketing strategies and programs.
6. Financial plan.
7. Performance and implementation.
8. Appendices.

By researching market, competition and determining the business unique positioning, the business and businessman will be in a much better position to promote and sell production and services. Successful plans need focus, specifics and flexibility.

Private Limited

A private company limited or Ltd, is a type of privately held small business entity. This type of business entity owner liability to their shares, limits the number of share-holders to 50 and restricts shareholders from public trading shares.

Selection of Technology Plants and Equipments

Selecting the Technology

The choice of technology is very crucial decision as it is bound long term and lasting impact on the future of enterprise. Selecting Technology is considered as follows;

1. Investment capacity.
2. Volume of production.
3. Nature of production.
4. Manufacturing strategy.
5. Engineering and technical evaluation.
6. Economic evaluation.
7. Social consideration.

Selection of Plants and Equipments

Plants and equipment selection is based on the organization's ability to obtain an adequate and regular supply of its raw materials at a minimum cost to maintain a sufficient labor force and to serve satisfactorily its consumers. The important factors of selection of plants and equipments are as follows;

1. Availability of raw materials.
2. Availability of skilled and unskilled labours.
3. Proximity to the source of motive power.
4. Proximity to market, good banking and credit facilities.
5. Availability of transport facilities.
6. Pollution control.
7. Suitability of climate.
8. Securing greater accuracy.

Structure of Project Report

The project report includes;

1. Introduction:
 - Importance and application of topic.
 - Overview
2. Back-ground:
 - Relevant and specific info.
 - Other people view.
 - References.
 - Uniqueness of project.
3. Project:
 - Main-body part.
 - Approach to the problem and work done.
 - Design.
 - Graphs, drawings, pictures
 - Result.
4. Summary.
5. Conclusions.
6. References.

Format of Business Plan

The business plan is prepared based on following heads/steps/topics;

1. Executive summary.
2. Company Description
3. Market analysis.
4. Organization and management.
5. Service or product.
6. Marketing and sales.
7. Operational plan.
8. Funding request.
9. Financial plan.
10. Appendix.

Chapter-5

Small Business Management

Concept of small business Management

- Small business management refers to the process of aligning and co-ordinating all aspects of a small business, whether it's managing employees, suppliers, finances, its roadmap or performing daily tasks.
- In small business the required capital, employee included and duration are small.
- The management can decide in short time.
- Management change his plan in daily basis and tomorrow's activities are decided today sometime.
- Small business can be run with family members only.

Market and Marketing Mix

Market: The market is that place where sellers and buyers are gathering and they exchange goods or services instead of money, goods. A market is a place which can be physical like a retail outlet or virtual like an e-retailer. Other examples include the black market, auction markets and financial markets. Market includes mechanism or means for;

1. Determining price of the traded item.
2. Communicating the price information.
3. Facilitating deals and transactions.
4. Effecting distribution.

The market for a particular item is made up of existing and potential customers who need it and have the ability and willingness to pay for it.

Marketing mix: The marketing mix refers to the set of actions or tactics that a company uses to promote its brands or product in market. It is the combination of a set of tools which are necessary to gain aim of business by providing goods, services or products to customers with more and more. The 4Ps make up a typical marketing mix-price, product, promotion and place.

1. **Product:** Product should be available with matching the demand. Very more production may become harmful for business. Product should be with good quality with latest features and with suitable shape and size.
2. **Price:** Price is an important factor in marketing. Price is determined by demand and supply. It is also affected by competitors' price. Price should be appropriate with quality, suitable with customers' economic status. Price is determined with cost of product, margin on product, commission to agents and transportation expenses.
3. **Place:** Place plays an important role in marketing. Place should be in more people movement area. The area where it can go easily that area should be selected for market. In case of industry or business establishment place should be available in low price where labour charge is low, transportation can be done easily.
4. **Promotion:** Promotion activity helps to increase sales and to identify the product. It gives the information about the product. Advertisement on road, television, wall painting, pricing, pamphlet and social works all are included in promotion activities.

Basic Account Keeping

Bookkeeping:

- "Bookkeeping is the art of recording business dealings in a set of books"- By A.H. Rosenkampi.
- Hence, bookkeeping can be defined as the branch of knowledge which deals with recording financial transactions in a methodological procedure and in continuous manner. Bookkeeping is the business itself.
- The person who works on bookkeeping is bookkeeper. It is done in daily basis. The financial transactions include sales, purchase, receipts and payments.

Importance of Book keeping

Following are the main importances of book keeping;

1. It gives the complete record of business transactions.
2. It helps to compare the transaction of previous year and current year.
3. It shows the financial position of an organization.
4. It gives the results of business activities i.e, profit and loss.
5. It provides arithmetical accuracy of account book.

Account Keeping

Book keeping is the branch of maintaining the records of the transaction, account keeping is the art which actually handles the book keeping. Account keeping is "language of business". Hence account keeping can be defined as the branch of knowledge which deals with adjective measurement and reporting system of transactions and event for decision making purposes. According to R.N. Anthony: Accounting is a means of collecting recording and reporting in monetary terms and the information of business.

Stage in Account Keeping:

1. Identifying the financial transactions of business.
2. Recording these transaction systematically.
3. Classifying the recorded transactions.
4. Summarize the classified recording recording to calculate the profit or loss.
5. Analyze and interpret the business records to simplify them.
6. Communicate the results to the various stakeholders.

Importance of Account Keeping

1. It records transactions systematically.
2. It classifies the record transaction.
3. It analyzes the business records.
4. It shows clear picture of financial health of business.

Types of Account keeping

1. **Financial Account Keeping:** That records cash receipts and cash payments.
2. **Bank Account Keeping:** Cheque book deposit books and statement.
3. **Employment Account Keeping:** Hours of work overtime remuneration or other benefits leave, termination of employment type of employment, personal details employee personal contact and employment details.
4. **Cost Account Keeping:** It records the actual cost of material man and machine and where it expenses.
5. **Managerial Account Keeping:** Hence the account keeping can help us to protect our business measure our performance and maximize profit.