ROHINI

COLLEGE OF ENGINEERING & TECHNOLOGY

UNIT-3

BUSINESS

Small Enterprises:-

* The growth of a Country depends on Small and large Scale enterprises.

* Small Scale enterprises have given importance while planning because every Country has large number of Small-Scale enterprises.

Small scale Industries: (SSI).

* It varies from one Country to another and from one time to another in the Same Country depending upon the pattern and Stage of development.

* They are in three ways;
  a) Conventional - Handicraft Industry
  b) Operational - Plant & machinery below 60 lakhs
  c) National Income - Accounting, but not registered under the factory Act.

Classification of SSI:

a) Manufacturing Industries
b) Feeder Industries
c) Servicing Industries.
d) Ancillary to large Industries.
e) Mining (or) Quarrying

Characterstics of SSI:

* It is a unit generally one-man show.
* Capital Investment is small & few workers.
* More flexible to adopt changes like introduction of new product.
* It can started any where based on the availability of resources like raw materials, labour etc.

Importance of SSI:

a) Innovative and Productive
b) Symbols of National Identity.
c) Always winners of the game.
d) Dispersal over wide areas.
e) Individual Tastes, fashions and Personalised Service.

iantages of SSI:

* It creates immediate and Permanent employment at a relatively small Capital Cost.
* It earns foreign exchange.
* It does not require heavy and Costly infrastructure and machinery.

Disadvantages of SSI:

* Lack of finance, leads to closing of small unit.
* Lack of support to the Small scale unit owners.

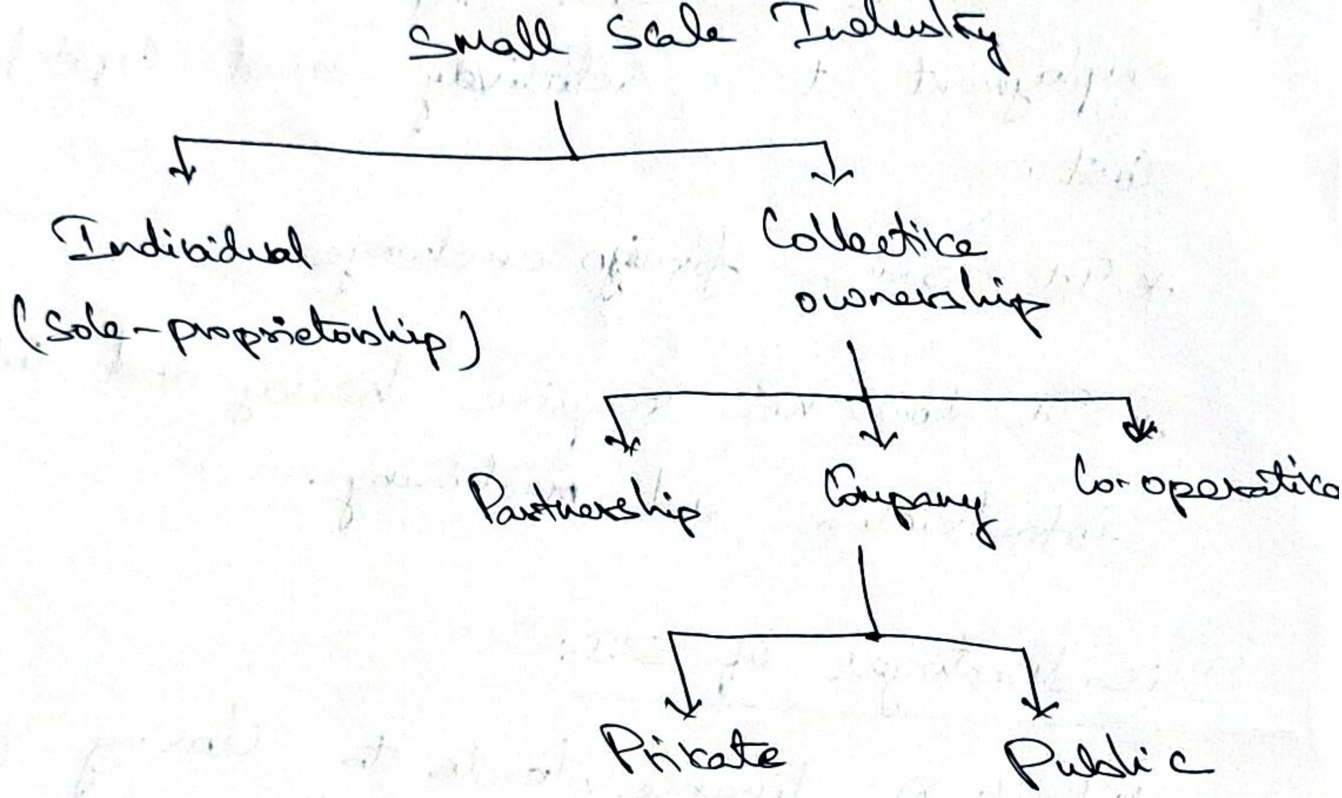
Objectives of SSI:

a) To eliminate the economic backwardness of rural and under developed regions in the country.

b) To reduce regional imbalance.

c) To generate immediate employment.

Ownership structure :-



Sole-Proprietorship :

It is the form of business organisation in which an individual invests his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the results of its operation.

salient features :

a) sole ownership
b) one-man Control
c) undivided Risk.

artnership firm:

The relation between two persons who have agreed to share profit of a business carried on by all or any of them acting for all.

Partnership Deed:

It can be formed through an agreement among two (or) more Persons.

Registration of firm:

Under the Indian partnership Act, 1932, the registration of the firm is not compulsory. But an unregistered firm suffers from certain limitations.

Dissolution of firm:

There is a difference between the dissolution of Partnership and dissolution of firm.

*Dissolution of partnership occurs, when a partner ceases to be associated with the business, where as dissolution of firm is the winding up the business.

Modes of dissolution of firms:

a) Dissolution by Agreement
b) Contingent Dissolution.
c) Compulsory Dissolution
d) Dissolution through Court.

Company:

A company limited by shares having a permanent paid up (or) nominal share capital of fixed amount divided into share also of fixed amount, held and transferrable as stock and formed on the Principles of having in its members only the holders of those shares (or) stocks and no other persons.

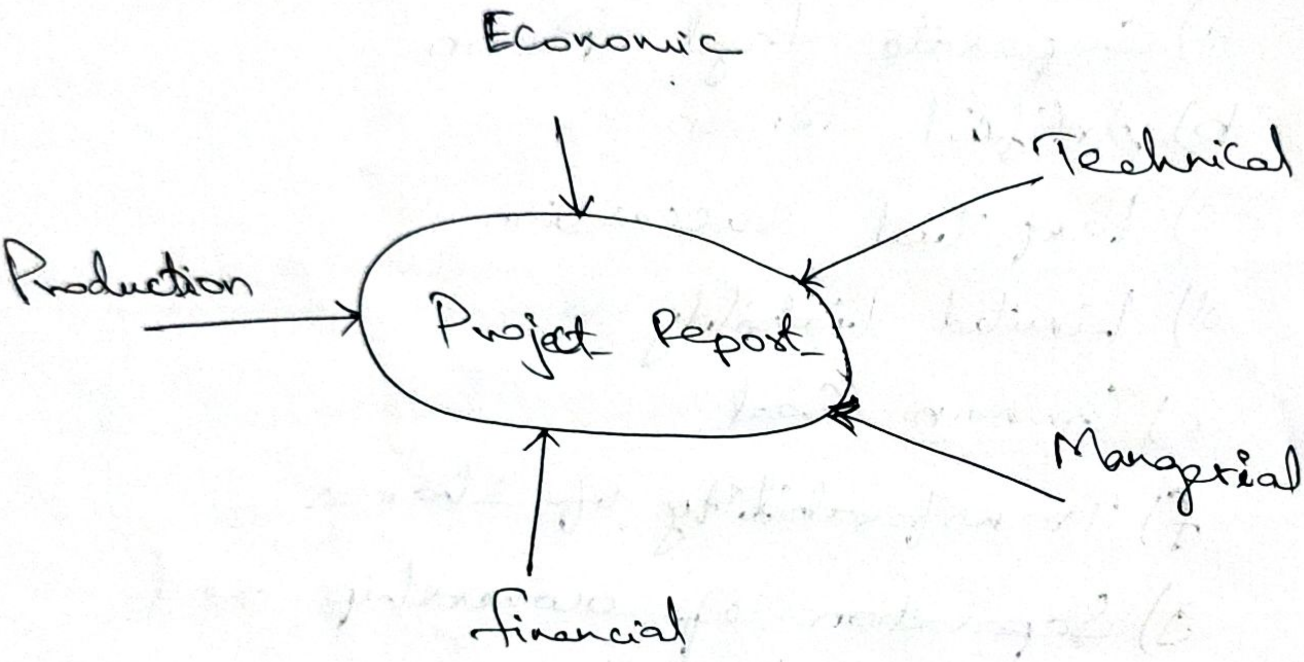
Salient features:

a) Seperate legal Person
b) Artificial Person
c) Perpetual Succession
d) Limited liability
e) Common Seal
f) Transferability of shares
g) Seperation of ownership and Management.
h) Incorporated Association of Persons.

(i) Private Company
(ii) Public Company
(iii) Privileges of a Private Company.

Project Report:

* Basic necessity of an entrepreneur is to decide upon a project.



Contents of a Project Report:

1. General Information
2. Promoter
3. Location
4. Land and Building
5. Plant and Machinery
6. Production Process.

7. Utilities

8. Transport and Communication.

9. Raw Materials

10. Man Power

11. Products

12. Markets

13. Requirements of working Capital

14. Cost of Production and Profitability of first ten year

15. Requirements of funds

16. Break even Analysis

17. Schedule of implementation.

Project formulation :

It is a Concise, exact statement of a project to set the boundaries (or) limits of work to be

Performed by the Project.

*It is a formal document that gives a distinctive identity of the project and precise meaning of project work to prevent conflict, confusion (or) overlap.

<u>Elements of Project formulation:</u>

1. Feasibility Analysis
2. Techno-economic Analysis
3. Project Design and Network Analysis.
4. Input Analysis.
5. Financial Analysis
6. Social Cost-Benefit Analysis and
7. Project Appraisal.

ps for starting up a Business :

An entrepreneur possessing the aptitude for setting up a small-scale unit should formulate a business plan to take a number of steps to give shape to his business idea.

Steps :

1. Selection of the Product
2. Selection of form of ownership
3. selection of site
4. Designing Capital structure
5. Acquisitions of manufacturing know-how.
6. Preparation of Project report.
7. Permanent Registration Certificate
8. obtaining statutory licence.

Sources of Business Ideas:

a) Market characteristics

b) Import and Exports.

c) Emerging new Technology and Scientific know how.

d) Social and Economic Trends.

e) Product Profile

f) Changes in consumption Pattern.

g) Revival of sick units.

Market Survey and Research:

Marketing research involves the gathering of data in order to obtain such information through the following questions;

a) Who will buy the product (or) service?

b) What Price should be charged?

c) What is the size of the Potential market?

d) Who are the most effective Promotion Customers?

Steps in Market Survey:

1. Defining the purpose (or) objectives
2. Gathering data from secondary Sources.
3. Gathering Information from Primary Sources
4. Analysing and Interpreting the Results.

Primary Data Collection

- Observation method
- Experimentation Method
- Depth Interview Method
- Project Technique Method.
- Survey Technique Method

Techno-Economic feasibility Assessment:

* It makes an analysis of the Market and technology.

* The Choice of technology itself will be based on the demand potential and aid in Project design.

* Techno economic feasibility analysis gives to the project an individuality and Sets the stage for detailed design development.

Contents of a feasibility Report:

a) objectives of the report.
b) Product characteristics
c) Market Position and Trends.
d) Raw materials Requirements
e) Manufacturing Processes
f) Requirement of Land Area
g) Type of plant and Machinery

...ctors that have to be Considered While Preparing a feasibility Report:

1. Technical Consideration
2. Economic Consideration
3. financial Consideration.
4. Consideration of managerial Competence.
5. Implementation Schedule.

General Proforma of a feasibility Report:

1. Introduction
2. Summary and Recommendation
3. Product Capacity
4. Market Potential
5. Process and know how.
6. Plant and Machinery
7. Location
8. Plot Plan and building
9. Raw Materials
10. Utilities (Power, water etc)
11. Effluents
12. Personnel Requirements.

13. Capital Cost.

14. Working capital

15. Mode of finance.

16. Manufacturing Cost.

17. financial Analysis.

18. Implementation Schedule.

Guidelines of planning Commission:

a) General Information.

b) Preliminary Analysis of Alternatives

c) Project Description.

d) Marketing plan.

e) Capital Requirements and Costs.

f) Operating Requirements and Costs

g) financial Analysis

h) Economic Analysis.

Preparation of Preliminary Project Report:

A) Product Description.

B) Production and general Evaluation of Prospects.

c) Market

D) Re

c) Market Aspects.

D) Production Requirements

E) Capital Requirements

f) Total Annual Costs, Sales revenue and net Profit.

Project Appraisal:

Project Appraisal is a Consistent Process of reviewing a given Project and evaluating its content to approve (or) rejects this Project, through analysing the Problem (or) need to be addressed by the Project, generation solution options for solving the problem, selecting the most feasible option, Conducting a feasibility analysis of that option, creating the solution statement, and identifying all people and organisation Concerned with (or) effected by the Project and its expected outcomes.

Stages of Appraisal Process:

Conduct Appraisal Meeting

→ Define & Agree SMART goals

↓

Describe role Competencies

↓

Person, Agree & Commits to goals

→ Agree & fix direct Review Sessions

→ Gather Performance Data

↑

Write your Performance summary for Person

↑

Person Responds with own summary of Performance

→ Conduct Appraisal Meeting

ods / Techniques of Project Appraisal:

1. Economic Analysis.
2. financial Analysis.
3. Market Analysis.
   a) Opinion Polling method
   b) Sample Survey
   c) Sales Experience Method.

Sources of Information:

This related to formation of Project report will be provided by the various sectors.

a) Central and state government related Policy, rules and regulation.

b) financial introduction, like Banks, other financial Provider.

c) The past related data of the exciting Companies which are related to the product (or) Market.

d) Most probably the entrepreneurs development authorities will provide information related to project formulations.

e) The opinion of expert also provide a valuable information towards it.

Classification of needs and Agencies:

1. Selection of appropriate Technology.
2. Influence of external economics.
3. Non-availability of technically qualified Personnel.
4. Mobilisation of resources.
5. Lack of knowledge about government regulation.