

INSTITUTE OF TEXTILE TECHNOLOGY CHOUDWAR



Entrepreneurship and Management & Smart Technology

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1. CONCEPT OF ORGANISATION & ENTERPRISE MANAGEMENT

Business

Business is a typical economic activity with the object of earning an income or profit, and thereby accumulate wealth or purchasing power. The economic activity must be regular and continuous

1 Production of goods

2 Merely purchase of goods to resell at a profit

The economic activity always involves an element of risk of loss or uncertainty. Any undertaking involving risk of loss is called an adventure. A business adventure is expected to meet threats and unpredictable environmental forces. The earning of income or acquiring of wealth is not the sole objective of any business. The real object of any business is to create a customer and to ensure repeat sale which is possible only when the customer can get due service and satisfaction in the market place, where exchange of goods and services takes place against price in a monetary economy. Modern business is called upon to serve demand and offer continuous satisfaction of innumerable, varied and ever changing human wants, so that the community can achieve rising standard of living and enjoy maximum social happiness and welfare. In fine, business aims at profit through service. Old concept of Business in the olden days the term business was conceived as "The business for their health". In those days the sole and exclusive objective of business was profit maximisation at any cost and thereby amassing of wealth and economic power even at the cost of social justice. Business was regarded as an end in itself. Money chasing was the primary aim of any economic activity.

Changing concept of Business:

The modern business enterprise is a social and economic institution. It does not live in a vacuum. Business is not an end but a valuable means to achieve an end, viz., human welfare and public good. It touches every aspect of our ways of life. In fact we live in a corporate society

A business enterprise has two basic functions.

- 1) Marketing
- 2) Innovation

These alone are responsible for producing results all other functions are "costs"

Features of business

Business means the total enterprise of country in industry and commerce. The business activity has two branches?

1. Production of goods and services required in the market. It is called industry

2. Exchange or distribution of goods and services to the customers. It is called commerce.

Business may be owned and managed either by individuals in the private, Sector or by public authorities in the public sector, or by both in the joint sector of an economy

1. **Industry:** Industry may be sub-divided into five sub-divisions.

(i) Extractive industries, e.g., agriculture, mining, etc.

(ii) Genetic industries, e.g. Poultry, cattle-breeding plants, saplings, etc.

(iii) Manufacturing industry, e.g., cotton textile industry, machinery and appliances industry, etc.

(iv) Construction industry, e.g. construction of buildings, roads dams, bridges, etc.

(v) *Service industry, e.g., banking, transport, insurance, and professional services such as lawyers, doctors, management consultants, chartered accountants, advertisers, etc.*

Industry undertakes the production of goods and services for sale or exchange at a reasonable profit. The flow of goods and Services generated by industry constitutes the standard of living The people of a country are organised into a huge productive organisation working day and night continuously and regularly to produce goods and services of all kinds to satisfy ever-increasing human wants Industrial revolution has given us factory system of production, where commodities are produced on a mass-scale basis with the help of power driven machinery The system of mass production aims at producing the greatest output of goods with the limited number of workers. In modern production, we have acute division of labour leading to specialisation Simplification and standardisation together with specialisation are the sources of wealth in an industrialised country. These three attributes,

Simplification, standardisation and specialisation are called the threeS's of the modern system of production.

2) Commerce:

of it is an organised system for the exchange of goods between the members of the industrial world. It constitutes a connecting link between the primary producers and the ultimate consumers it tries to deliver the right goods, to the right persons, at the right place, at the right time, and at the right price". Commerce deals with the goods produced and supplied by industry. The goods have to reach the final consumers. Commerce has to bridge the two gaps place gap and time gap - which separate the producer from his market. The place gap is bridged by transport and communications. The time gap is removed by warehousing services. We have mass production but consumption is in very small quantities. Hence, in the machinery of distribution, the bulk has to be broken down to the right quantity for one family or even one individual. The whole process of commerce must be very efficient so that the price charged to the final consumers is still reasonable.

Commerce like all other human activities, is not static, but dynamic. It is ever-moving, ever-changing and ever – developing New methods, new ideas, new materials can revolutionise industry and commerce. Consumer demand is ever - changing. Hence, market research is an essential and integral part of modern business. All kinds of modern business activities create a stream or flow of goods and services (National output) and also generate a corresponding stream of income (National Income) through employment of human and material resources in the best manner possible.

When the flow of goods and services increases at a reasonable rate every year, the country will have normal economic development and increasing gross national output or wealth as well as rising national income. Industrialised countries with prosperous industry and commerce can have general standard of living quite high and almost all economic wants of the masses are fully satisfied by industry and commerce.

Different forms of business organisation

Modern business is carried on by the following forms of business organisations:

Form of Business Organisations

<i>Private Enterprises</i>	<i>Co-operative sector Enterprise</i>	<i>Public sector Enterprises</i>
<i>1. Sole trader</i>	<i>1. Co-operative Society</i>	<i>1. Govt. Dept.</i>
<i>2. Partnership firm</i>	<i>2. Co-operative Store</i>	<i>2. Govt. Co.</i>
<i>3. Company Org.</i>		<i>3. Statutory Corp</i>
		<i>4. Statutory Board</i>

Note.

(1) Govt Dept., e.g. Railways, A.L.R. Post & Telegraph, Defence Industry

(2) Govt. Co. e.g. Fertilizers Corporation of India, Hindustan Steel, Asoka Hotel etc.

(3) Statutory Corp. e.g. life Insurance Corp., State Bank of India.

(4) Board and Commissions, e.g. State electricity Board, Khan Village Industry's commission,

Mixed Economy:

In India, we have adopted the pattern of mixed economy we have two distinct sectors- private enterprises and Enterprises. At present, 50 P.C. of the national wealth is under the ownership and management of Public and semi-public authorities, i.e., national and municipal undertakings. Own is the key to the difference between the private and enterprises

Sales traders Enterprises

These represent single or individual ownership, manage control and risk-bearing. The proceeds of the venture constitute the reward of the proprietor. Independence and self-reliance the chief features of these businesses.

Partnerships

These are the associations of a few persons giving us a union of capital, skill, organising power and managerial ability. We have sharing of ownership, control and profits as well as losses. The affairs of the business are still private.

Company Organisations

These are large associations of many persons and require compulsory registration under the companies Act. The certificate of incorporation gives the company a separate legal personality and independent legal life. A company also can have benefits of limited liability and free transferability of shares. Sole trader, partnership and company are termed as private capitalist organisations.

Co-operative concerns:

In the private sector we also have non capitalist or co-operative organisations. In such organisations, we have co-operation in place of competition and element of service in place of profit making or dividend- hunting element. Co-operative organisations are based on the principle of co-operative spirit and they give great importance to collective or common interest, whereas all capitalist concerns are primarily based on personal interest or self-interest Co-operative organisations represent united, collective or joint action for the general benefit of all members in any branch of economic activity. Unity gives them strength and thus they are eminently suitable poorer classes of population to improve their economic condition

Public Enterprises

In the 20th century, the state or the Government in many countries began to take active interest in the economic development of the nation. At present, Government or public enterprises have assumed considerable importance in owning and managing many basic or key industries.

INSTITUTE OF TEXTILE TECHNOLOGY CHOUDWAR ODISHA **Management**

Management has been defined as the guidance, leadership and control of the efforts of a group of people toward some objective

The management work can be divided into a few basic functions of management viz.

1. Planning. 2. Organising 3. Directing. 4. Controlling

1. Planning: Planning denotes the determination of long-range plans to achieve the objectives of organisation. We have policies, procedures, programmes, schedules, rules and budgets.

2. Organising: Organising indicates the development of an organisation structure according to pre-determined plans

3. Direction: Direction means stimulating and motivating personnel of the organisation according to pre-determined planning.

4. Controlling: Controlling offers assurance that directed actions i.e., plan-in-action, is taking place as per plan.

Different management administration

In business firms, administration refers to the higher and policy determining levels. Administration is concerned with the determination of overall corporate objectives, policies and master strategies. It concentrates on the co-ordination of finance, production and distribution. Administration determines the corporate organisation climate and structure and it acts as the central controlling authority in the organisation. In business firms, management proper, is concerned with the execution of plans and policies laid down by the administration

Management functions may be classified into two categories

1. *Administrative management:*

- a. *(Administration represented by top management). The administrative management represents the higher level or top management. It is in charge of the thinking function, i.e., deliberation and planning activity. It is entrusted with the task of planning, i.e., determination of corporate objectives formulation of plans and policies, co-ordination of all functional areas of business and overall control and supervision of the entire business. The administrative wing also determines the formal organisation structure. The administrative wing constitutes the top managerial group. Viz. Board of directors, the chief executive and heads of divisions, if any, or senior executives.*

2. *Operative management (Management proper):*

It is the body of managers in charge of actual implementation or execution of plans and policies determined by administration or top management. Managerial group is in charge of doing primarily. It assumes direct responsibility in the conduct of the business and in the realisation of stated goals and objectives. Management is called upon to use the organisation structure devised by administration. The heads of departments in a division, a middle management and the lower level managerial group are the agencies of operating management or management proper.

3. *Organisation:*

An organisation is a set of people working together to achieve certain common objectives. Organisation is the framework or medium to exercise managerial functions.

Management is an effective execution. Administration is an effective direction. Administration devises the organisation management use the organisation. Administration defines goals; management tries its best to achieve those goals. Organisation as the machine to be used by management to discharge managerial functions to accomplish the set goals.

functions of management

The sequence of a manager's functions begins with planning however, a manager performs all six. Functions simultaneously or several times during the working day. Directing, motivating, and communicating constitute enacting - management - in - action.

1. *Planning : When management is reviewed as a process, planning is the first function performed by a manager. The work of a manager begins with the setting of objectives of the organisation and goals in each area of the business. This is done through planning. A manager probes the present to find where he is and he then forecasts i.e., the destination to be reached. The alternatives to achieve the objectives are evaluated and the selected alternative becomes the plan of action.*

2. *Organising : Managing a business is not just planning. It includes putting life into the plan by bringing together the executive personnel, workers, capital, machinery, materials, physical facilities and other things or services to execute the plans. When these resources are assembled the enterprise comes to life organising involves determining and noting activities needed to fulfil the objectives, grouping these activities into manageable units or departments, and assigning such groups of activities to managers. Delegation of authority creates an organisation. It determines authority responsibility relationship. These relationships must be properly. Co-ordinated to secure unity of organisation.*

3. *Staffing : Staffing involves filling the positions needed in the organisation structure by appointing competent and qualified persons for the jobs. This needs man-power planning and man- power management. We have scientific selection and training of personnel. We have to provide suitable methods of remuneration and performance appraisal. Much of the work relating to human resource planning and management is delegated to a personnel manager. However, top management is ultimately responsible for all activities relating to staffing.*

4. *Directing* : Some management experts prefer leading in place of directing particularly under a democratic managerial set up. The function of leading has been termed motivating, directing, guiding, stimulating and actuating. This managerial function is directly concerned with the human factors of an organisation. A manager by leadership and motivation has to direct and guide all subordinates and get the work done through people. Direction involves managing managers, managing workers and the work through the means of motivation, proper leadership, effective communication as well as co-ordination. A manager must develop the ability to command. He must know how to direct others, i.e. how to issue orders and instructions, without arousing resentment or offence and he must be able to secure willing obedience from his subordinates without destroying their initiative and creativity.

5. *Motivating*: This managerial function is fully reflected when we define management as the art of getting things done willingly through and with other people. Management is interested in two primary elements: (1) Things, i.e., material resources and (2) Men and women, i.e., human resources.

Motivation and leadership are the master keys to successful management of any enterprise. They are also responsible to ensure productivity of human resources. Motivation can set into motion a person to carry out certain activity. Motivation assumes unique importance in modern business management, Democratic leadership heavily relies on motivation of employees, through financial and non-financial incentives.

6. *Controlling*: Controlling is the last phase of the management process control is the process of measuring actual results or present performance, comparing those results to plans or some standard of performance, finding the reason for deviations of actual from desired result and taking corrective action when necessary.

7. *Co-ordination*: Each managerial function is an exercise in Co-ordination. It is said that co-ordination is the essence of management. It is an integral part of direction. Co-ordination is concerned with harmonious and unified action directed toward a common objective. It involves inter-relating various parts of the work or organisation. It is not a separate activity but a condition that should diffuse itself through all phases of the management process. Co-ordination is an orderly arrangement of group efforts to provide unity of action. It ensures that all groups and persons work efficiently, economically and in harmony

8. *Communication*: In its broadest sense communication is the transmission of meaning to others. It means transfer of information and understanding from person to person a flow of information from the top to the bottom and from the bottom to the top as well as horizontal or sideways on the same level of organisation. Personal or face-to face communication is the best form of communication Managerial leadership depends upon upward communication to the leader in the form of feedback, So that he can understand and feelings, emotions, motives and problems of subordinates and his power will have support and acceptance from below. Communication also leads to sharing of information, ideas and knowledge. Communication is the cement that makes organisations. It enables a group to think together and act together Society's very existence is dependent upon communication.

Scientific management

1. *Scientific management* is the result of applying scientific knowledge and the scientific methods to the various aspects of management and the problems that arise from them.

2. *Scientific management*. Could be summarized as:

i. Science, not rule of thumb, ii. Harmony, not discord.

iii. Cooperation, not individualism.

iv. Maximum output, in place of restricted output, and

v. The development of each worker to his greatest efficiency and

Prosperity

Basic Approach of Scientific Management:

1. Analyses work scientifically investigate all aspects of work on a scientific basis rather than using rules of thumb.

II. Provide specific guidelines for worker performance

iii. Develop one best way of doing a job (using time and motion studies)

iv. Select workers best suited to perform the specific tasks.

V. Train and develop each workman in the most efficient method for doing the job.

vi. Divide the work so that workmen and management share almost equally in the daily performance of each task; workers do their jobs as per the standards laid down and management does planning and makes sure that all aspects are ready at the right time so that the resultant efficiency is high

vii. Achieve support and cooperation from workmen by arranging conditions, services, guidance and by giving them greater economic rewards which in turn are obtained through increased efficiency and productivity

Principles of scientific management

The principles of scientific management are:

1. Division of work (or labour) Division of work means dividing the work on the principle that different workers (and different places) are best fitted for different jobs (or things) depending upon influences arising from geography, natural conditions, personal aptitude and skills

(a) Division of work leads to specialization.

(b) Concept of division of labour can be applied to all kinds of work, managerial as well as technical.

Advantages of Division of labour,

Since the same worker does the same work repeatedly?

1. He gains proficiency and skill on the jobs.

II. Rate of production increases.

iii. Product quality improves.

iv. He is in a position to suggest changes in products, processing or methods of doing that work!

Disadvantages of Division of Labour:

1. Division of labour gives rise to loss of craftsmanship; workers become machine-minders and no more. It. With the passage of time, the same job becomes dull and monotonous

Workers do not remain all-round and one cannot work in place of another if he is absent.

2. Authority and Responsibility

a. Authority and responsibility should go together, hand-in-hand and must be related.

b. An executive can do justice with his responsibility only when he has the proper authority.

c. Responsibility without Authority or vice versa is meaningless.

3. Discipline: a) Discipline is absolutely necessary for efficient functioning of all enterprises.

b) Discipline may be described as - respect for agreements that are directed at achieving obedience, application, and the outward marks of respect

4. Unity of command: a) Unity of command means, employees should receive orders and instructions from one boss (or supervisor) only In other words worker should not be under the control of more than one supervisors

5. Unity of direction: a). It is a broader concept than the unity of command

- b. Unlike unity of command which concerns itself with the personnel, unity of direction deals with the functioning of the body corporate
- c. Unity of direction implies that there should be one plan and open head for each group of activities having the same objective.

Difference between Management and Administration:

<i>Comparisons</i>	<i>Administration</i>	<i>Management</i>
<i>Meaning</i>	<i>The administration is a process of administering an organization by a group of people.</i>	<i>Management is a thing of a business organization and organized way of managing people.</i>
<i>Authority</i>	<i>Top-level</i>	<i>Lower and Middle level</i>
<i>Concerned with</i>	<i>Policy Formulation</i>	<i>Policy Implementation</i>
<i>Role</i>	<i>Decisive</i>	<i>Executive</i>
<i>Area of Operation</i>	<i>Fully controlled over the activities</i>	<i>Worked under administration</i>
<i>Decides</i>	<i>When it should be done? and What should be done?</i>	<i>How will it be done? and Who will do the work?</i>
<i>Applicable to</i>	<i>Government offices, business enterprises, military, religious, hospitals, clubs and educational organizations.</i>	<i>Profit-making organizations</i>
<i>Key Person</i>	<i>Administrator</i>	<i>Manager</i>
<i>Function</i>	<i>Determinative and Legislative</i>	<i>Governing and Executive</i>
<i>Focus on</i>	<i>Making the best possible allocation of limited resources.</i>	<i>Managing work,</i>
<i>Represents</i>	<i>Owners, who get a return on the capital invested by them.</i>	<i>Employees, who work for remuneration</i>

2. Entrepreneurship

Definitions

Entrepreneur (Oxford Dictionary) – Person who undertakes an enterprise with chances of profit or loss. (As I have understood, Entrepreneur is a person who undertakes a business activity of which he has no background and faces considerable risks in the process. If either of the two elements, i.e., “no background” or “considerable risk” is missing in the venture, it is no entrepreneurship).

Enterprise (Oxford Dictionary) – Bold Undertaking

Entrepreneur – (New Encyclopaedia Britannica) – An individual who bears the risk of operating business in the face of uncertainty about the future conditions.

Common Meaning – one who starts his own, new and small business

Entrepreneurship – It is a philosophy or process through which an entrepreneur seeks innovation and employment.

Entrepreneur Entrepreneurship Enterprise

Person Process or Philosophy Object

Dissecting the word we get

Entre – Enter Pre – Before Neur – Nerve Centre

Entrepreneurship can also be described as a creative and innovative response to the environment.

(a) Doing new things or doing things that are already being done in a new way is, a simple definition of entrepreneurship.

(b) Entrepreneurship can be described as a creative and innovative response to the environment. Such responses can take place in any field of social endeavor-business agriculture, education social work and the like.

(c) The word entrepreneur has its origin in the French language it refers to the organizer of musical or other entertainments.

(d) An entrepreneur is one who organizes manages, and assumes the risks of an enterprise. An entrepreneur visualizes a business, takes bold steps to establish undertaking, coordinates the various factors of production and gives it a start.

(e) Entrepreneurs are the owners of the business who contribute the capital and bear the risk of uncertainties in business life.

f) Entrepreneur is action-oriented and highly motivated. He has the ability to evaluate business opportunities, together the necessary resources to take advantage of them and to initiate appropriate action to ensure success.

(g) Entrepreneur is associated with innovations He is the main factor of production.

(h) Entrepreneur takes decision regarding what to produce, how to produce, where to produce and for whom to produce. He mobilizes other factors of production namely, land, labor capitals. Organization and initiates production process. He is responsible for both the profit and the loss.

In India, Birla, Tata, Modi are big entrepreneurs.

Functions of an entrepreneur

The functions of an entrepreneur are:

- (1) He manages business and takes decisions.
- (2) He studies the market and selects the business.
- (3) He makes a selection of plant site.
- (5) He organizes sales and holds the customers
- (6) He promotes new inventions

- (7) He co-ordinates different factors of production
- (8) He arranges raw material, machinery and finance
- (9) He employs laborers.
- (10) He deals with government departments such as sales tax
Labor, electricity, export-import, railways etc.
- (11) He decides pricing policies.
- (12) He distributes wages of laborers, interest to the capitalist

Qualities of entrepreneur

The followings are the qualities of an entrepreneur

- (1) Risk taking ability...
- (2) High level of motivation Entrepreneurship & Industrial Management
- (3) Business acumen Cong)
- (4) Self-confidence and positive self-concept.
- (5) Leadership qualities.
- (6) Flexibility.
- (7) Managerial competence.
- (8) Problem solving.
- (9) Ability to perceive opportunities and threats
- (10) Realistic approach to planning .
- (11) Independence of thought and action

Role of entrepreneur in industrial development

Export development in the small scale sector has been accorded high priority in the economic. Strategy of the country as it results in creation of more employment opportunities, ensures utilization of capacity for production and improves the quality of products a part from bringing the much needed for sign exchange.

(b) A part from direct exports, products of a large number of small scale units are exported indirectly through merchant exporters export houses, etc. Parts and components from small scale sector which are part of the finished products are also being exported by large units.

(c) small industries Development organization (SIDO) through its network of small Industries service institutes (SISIs) and Extension centers throughout India provides assistance for promotion of exports of SSI (Small Scale Industry) products.. The activities in this regard include dissemination of information about

- (1) Foreign markets
- (2) Consultancy services in matters of export procedures for claiming replenishment
- (3) Identification of small scale units already possessing necessary equipment and skills to undertake production of items having export potential.
- (4) Organizing of training program on export marketing.
- (5) Maintaining liaison with concerned export promotion etc. Small industry export bulletin covering important areas of interest to exporters continued to be brought out by SIDO.

Information on export prospects, Govt. Planning announcements and procedures relevant to small Industry exports. Market commodity reports prepared by professional agencies, etc. were included in these bulletins.

It is expected from the entrepreneurs that they will help:-

- 1. Increase number of industries,*
- 2. Increase production*
- 3. Increase employment opportunities.*
- 4. Earn foreign exchange through exports.*
- 5. Develop the underdeveloped parts of the country*
- 6. Economic development.*

The institutional support to SSI at State and National Level /Explain financial assistance to SSI

A net-work of

- 1. State Financial Corporations*
- 2. National small Industries Corporation (NSIC) and State Small Industries Corporations (SSICs),*
- 3. State Directorates of Industries,*
- 4. Commercial Banks.*
- 5. Industrial Development Bank of India, and*
- 6. Regional Rural Banks, Private Financial assistance to small scale units. Industrial Development Bank of India Provides re-finance to the industrial loans advanced by these institutions to small scale sector.*

1. State Financial Corporations (SFCs)

- i. - State Financial Corporation grants term loans for the purchase of land, construction of factory premises and purchase of machinery and equipment for the setting up of new industries or for expansion or modernization of the existing ones.*
- ii. SFCs generally prescribe a margin of 25% and allow an initial holiday of two years for the loan repayment (this period can be increased to five years in backward districts.)*

2. NSIC and ssics

- i. NSIC and SSICs supply machinery on hire-purchase basis to small scale and ancillary industries, the value of which should not exceed Rs.35 lakhs and Rs.45 lakhs, respectively, inclusive of the value of machinery and equipment already installed.*
- ii. The payment for the machinery and equipment is made directly to the suppliers.*
- iii. The hire-purchase value is generally recovered in 3 half -years installments and a rebate of 2% allowed if the installments are paid before the due date.*
- iv. While NSIC supplies both imported and indigenous machinery SSICs supply only indigenous machinery.*

3. State Directorates of Industries: State Directorates of Industries extend assistance ranging between Rs. And Rs. for the construction of a factory premises, purchase of machinery and equipment and working capital. These loans are repayable in five to seven years.

4. Commercial Banks :

- i. Commercial banks provide short term and medium term financial assistance.*

- ii. The short term credit facilities are granted for working capital requirements of the units like those for raw materials, goods in- process, finished products, bills receivables and book debts.
- iii. The medium term loans are granted for the acquisition of land, construction of factory premises, purchase of machinery and equipment and operative expenses.
- iv. These loans are generally granted for periods ranging from five to seven years.
- v. They also establish letters of credit on behalf of their clients favoring suppliers of raw material / machinery (both Indian and foreign) which extend the bankers' assurance for payment and thus help their delivery.
- vi. Certain transactions, particularly those in contracts of sale to government departments, may require guarantees being issued. in lieu of security / earnest money deposits for release of advance money, supply of raw materials for processing, full payment of bills on assurance of performance, etc. commercial banks issue such guarantees also.

5. Industrial Development Bank of India (IDBI)

- i. The IDBI, the apex development body for small, medium and large industries, extends assistance to SSI units through two major schemes:
 - a. Bills Re-discounting scheme, under which the manufacturers of indigenous machinery. Capital equipment can offer deferred payment facilities to their buyers (the period of such payment being not less than six months and not more than five (seven years), the relative bills accepted) guaranteed by the buyer and of his bankers can be discounted by the manufacturer with his own bank to realize the cost of machinery immediately. The latter, in turn rediscounts the bills with the IDBI and obtains the amount paid. Subsequently he takes them back, before their due dates and presents them for payment before the buyer/his guarantor,
 - b. Refinance scheme under which IDBI refinances eligible term loans granted by banks to the SSI borrowers.
- 6. National Bank for Agricultural and Rural Development (NABARD): The National Bank for Agricultural and Rural Development was set up in July 1982 to provide re-finance assistance to state co-operative Banks, regional Rural Banks and other approved institutions for all kinds of production and investment credit to small scale industries, artisans, cottage and village industries, handicrafts, and other allied activities.

Incentives available to SSI

Special inducements are offered for development of entrepreneurship among the persons in hilly, rural and backward areas, for example, transport subsidy is given in remote and hilly backward areas in selected states/union territories. Capital subsidy up to 15% is also given to persons setting up their units in specified backward areas.

- (b) New entrepreneurs are exempted for five years from income tax payment on their profits, up to 7.5% P.A. of the capital invested.
- (c) Entrepreneurs are entitled to deduction of depreciation (on building, plant and equipment out of the net profit.
- (d) Entrepreneurs are completely or partially exempted from payment of central excise duty.
- (e) Concessions are also given in stamp duty payable on the agreements and mortgage deeds executed to take loans from the government.
- (t) Sales tax is not charged on machines purchased for setting up small scale industries in certain states.
- (9) Import licenses are given to those entrepreneurs who require raw material, machines and their spares to be purchased from other countries for running their units successfully.
- (h) Training courses are organized exclusively for woman entrepreneurs in technical and management subjects, in order to provide them opportunities for self-employment. They are also assisted in preparing projects on specific industries.
- (i) Indians residing abroad and desirous of starting industries in India can bring machinery up to C.I.F. value of Rs. 25,00,000/and raw materials worth Rs.5,00,000/- or annual requirement of the unit, whichever is less. In addition to this, they are also avail all the facilities normally available to all other prospective entrepreneurs in the country.

Advantages of Entrepreneurship

To an Individual

- (a) Provides Self Employment for the entrepreneur
- (b) Entrepreneur can provide employment for near & dear one as well
- (c) Entrepreneurship often provides an employment and livelihood for next generations as well.
- (d) Freedom to use own ideas – Innovation and creativity
- (e) Unlimited income / higher retained income – Bill Gates has risen to become richest in the world in a single life time through entrepreneurship
- (f) Independence
- (g) Satisfaction

To the nation

- (a) Provides larger employment – Entrepreneurs provide employment for self as well as other people and is source of employment creation.
- (b) Results in wider distribution of wealth – This is a logical sequel of above issue. Higher the employment, greater the distribution of wealth
- (c) Mobilizes local resources, skills and savings
- (d) Accelerates the pace of economic development – Entrepreneurship is the Govt's one of the most trusted vehicles for economic development
- (e) Stimulates innovation & efficiency

Characteristics of a successful entrepreneur

1. The urge for achievement (most often monetary ambitions) – Most Important
2. Willingness to take **moderate** risks – (High risk takers are not entrepreneurs but gamblers).
3. Self Confidence – Confidence in own ability to win against all odds.
4. Ability to identify & exploit opportunities
5. Analytical ability to take strategic decisions
6. Perseverance
7. Determination to win
8. High organisational ability
9. Who has some financial strength – On his own or borrowed
10. Who has ability to work hard
11. Who has desire for responsibility
12. Win– Win Personality
13. Flexibility
14. Capacity to plan and organize
15. Preparedness to undergo physical and emotional stress
16. Positive self concept/Self Belief
17. Future orientation – Vision
18. Ethics and Values – Mission

3. Financial Accounting & Cost Control:

Accounting

Accounting is concerned with the processes of recording sorting and summarizing data resulting from business operation and events. According to American Accounting Association accounting is the process of identifying -measuring and communicating economic information to permit informs Judgements and decision by users of the information.

functions of Accounting

The functions of Accounting are :

(1) Recording : This is the basic function of accounting it is essentially concerned with not only ensuring that all business transactions of financial character are in fact recorded but also that they are recorded in an orderly manner. Recording is done in the book -Journal" this book may be further sub-divided into various subsidiary books such as cash journal (for recording cash transactions), purchases journal (for recording credit purchase of goods sales journal (for recording credit sales of goods), etc.

The number of subsidiary books to be maintained will be according to the nature and size of the business

(2) Classifying classification is concerned with the systematic analysis of the recorded data, with a view to group transactions or entries of one nature at one place. The work of classification is done in the book termed as "Ledger". This book contains on different pages individual account heads under which all financial transaction of similar nature are collected. For example, there may be separate account heads for travelling expenses, printing and stationery advertising etc. All expenses under these heads after being recorded in the journal will be classified under separate heads in the ledger. This will help in finding out the total expenditure incurred under each of the above heads.

(3) Summarizing

This involves presenting the classified data in a manner which is understandable and useful to the internal as well as external end users of accounting statements. This process leads to the preparation of the following statements:

(i) Trail balance, (ii) Income statement. (iii) Balance Sheet

(4) Deals with financial transactions Accounting records only those transactions and events in terms of money which are of a financial character. Transactions which are not of a financial character are not recorded in the books of accounts. For example, If a company has got a team of dedicated and trusted employees, it is of great use to the business but since it is not of a financial character and capable of being expressed in terms of money, it will not be recorded in the books of the business.

(5) Interprets. (AIRY 901)

This is the final function of accounting. The recorded financial data is interpreted in a manner that the end-users can make a meaning full judgements about the financial condition and profitability of the business operation. The data is also used for preparing the future plans and framing of policies for executing such plans.

Journal

The journal records all daily transaction of a business in the order in which they occur. a journal may therefore be defined as a book containing a chronological record of transaction. It is the book in which the transaction are record first of all under the double entry system. Thus journal is the book, of original record. A journal does not replace by precedes the ledger. The process of recording transaction in a journal, is termed as 'Journalizing' A proforma of journal is given below

1. Date: The date on which the transaction was entered is recorded here

2. *Particulars:* The two aspects of the transaction are recorded in this column, i.e. the details regarding accounts which have to be debited and credited.

3. *L.F* It means ledger folio, the transactions entered in the journal are later on posted to the Ledger.

4. *Debit-* In this column the amount to be debited is entered.

5. *Credit:* In this column, the amount to be credited is shown.

Different types of Accounts..

The transactions in the journal are recorded on the basis of the rules of debit and credit for this purpose business transaction have been classified into three categories.

(1) Transaction relating to persons.

(ii) Transactions relating to properties and assets.

(iii) Transactions relating to incomes and expenses.

On this basis, it becomes necessary for the business to keep on account of:

(i) Each person with whom it deals.

(ii) Each property or asset; which the business owns.

(iii) Each item of income or expense.

Personal Accounts:- Personal accounts include the accounts of persons with whom the business deals. These accounts can be classified into three categories.

1. *Natural personal Accounts.* The term natural persons' means persons who are creation of God, for example, Mohan's Account, sohan's Accounts, Abha's Account etc.

2. *Artificial Personal Accounts* -These accounts include accounts of corporate bodies or in these accounts include accounts of corporate bodies or institutions which are recognised as persons in business dealing, for example, the account of a limited company. The account of a co-operative society, the account of a club, the account of government, the account of an insurance company etc.

3. *Representative Personal Accounts.*

These are accounts which represent a certain person or group of persons, for example, if the rent is due to the landlord, an out standing rent account will be opened in the books . Similarly, for salaries due to the employee (not paid), and outstanding salaries account will be opened. The outstanding rent account represents the account of the landlord to whom the rent is to be paid while the outstanding salaries account represents the accounts of the persons to whom the salaries have to be paid, all such accounts here fore termed as 'Representative personal Accounts'.

The rule is :

Debit the receiver.

Credit the giver.

For example, if cash has been paid to Ram, the account of Ram will have to be debited. Similarly, If cash has been received from keshav, the account of keshav will have to be credited.

Real Accounts:

Real Accounts may be of the following types:

(1) Tangible Real Accounts

Tangible Real accounts are those which relate to such things which can be touched, felt, measured etc. Examples of such a accounts are cash account, building account, furniture account, stock account, etc. It should be noted that bank account is a personal account; since it represents the account of the banking company- an artificial person.

(2) Intangible Real Account

These accounts represent such thing which cannot be touched of course, they can be measured in terms of money for example patent's account, good will account etc. the rule is,

Debit what comes in.

Credit what goes out.

For example, If building has been purchased for cash, building account should be debited (since it is coming in the business) while cash account should be credited since cash is going out the business. Similarly when furniture is purchased for cash furniture account should be debited while the cash account should be credited.

Nominal Accounts

These account are opened in the books to simply explain the nature of the transactions. They do not really exist, for example in a business, Salary is paid to a the Manager, Rent is paid to the land lord, commission is paid to age Salesmen, Cash goes out of the business and it is something real; while salary, rent or commission as such do not exist. The accounts of these items are opened simply to explain how the cash has been spent. In the absence of such information. It may be difficult for the person concerned to explain how the cas at his disposal was utilized.

Nominal Accounts include accounts of all expense, losses, incomes and gains. the examples of such accounts are rent rates, lighting, insurance, dividends, loss by fire, etc.

The rule is:

Debit all expenses and losses.

Credit all gains and incomes.

Ledger

Ledger is a book which contains various accounts In other words, ledger is a set of accounts. It contains all accounts of the business enterprises whether Real, nominal or person

Nominal or personal. It may be kept in any to the following two forms:

(i) Bound Ledger, and (ii) Loose leaf ledger.

it is common to keep the ledger in the form of loose leaf cards. These days. This helps in posting transaction particularly when mechanized system of accounting is used.

cash journal

Cash journal or cash book is meant for recording all cash transactions. It is a very important journal of business on account of the following reasons :

i The number of cash transactions is quite large in every business. The business has to pay for salaries, rent, lighting, insurance, Purchase of goods and it has to receive cash for sales of goods and capital assets..

ii. The chances of fraud being committed regarding cash are higher as compared to other assets. A strict control is, Therefore, required. A properly maintained cash book helps in achieving this objective.

iii Cash is the nerve centre of the business. Timely payments to its creditors increase the reputation of the business. Similarly timely payments from its debtors improves the financial position of the business.

The cash book can be any of the following types:

- i. Simple cash Book, ii. Two columnar cash Book,
- iv. Three columnar cash Book, iv. Cash Receipts Books,
- v. Cash Payments Book,

i Simple (Single Column) cash book: Simple cash Book is like an ordinary Cash account.

ii. Two Columnar Cash Book: Such a cash Book has two columns: (i) Cash column, and (ii) Discount column. Cash column is meant for recording cash receipts and payments while discount column is meant for recording discount received and the discount allowed. The discount column on the debit side represents the discount received.

iii. Three Columnar Cash Book: This type of cash book contains the following three columns on each side:

- i. Cash column for cash received and cash paid.
- ii. Discount column for discount received and discount allowed.

iii. Bank column for money deposited in and money withdrawn from the bank. In cash a business man has bank accounts with two or more banks, there will be two or more bank columns on each side of the cash book, depending upon the number of banks with which he has bank accounts.

Final accounts

Final accounts gives an idea about the profitability and financial position of a business to its management, owners, and other interested parties. All business transactions are first recorded in a journal. They are then transferred to a ledger and balanced. These final tallies are prepared for a specific period. The preparation of a final accounting is the last stage of the accounting cycle. It determines the financial position of the business. Under this, it is compulsory to make a trading account, the profit and loss account, and balance sheet.

The term "final accounts" includes the trading account, the profit and loss account, and the balance sheet.

Trading Account

A trading account shows the results of the buying and selling of goods. This sheet is prepared to demonstrate the difference between the selling price and the cost price. The trading account is prepared to show the trading results of the business, e.g. gross profit earned or gross loss sustained by the business. It records the direct expenses of a business firm.

According to J. R. Batliboi-

"The Trading Account shows the result of buying and selling goods. In preparing this account, the general establishment charges are ignored and only the transactions in goods are included."

Profit and Loss Account

This account is prepared to ascertain the net profit/loss of a business during an accounting year and expenses of an accounting year. It records the indirect expenses of a business firm, like rent, salaries, advertising exp, etc. Profit and loss a/c includes expenses and losses and income and gains, which has occurred in business other than the production of goods and services.

Balance Sheet

The balance statement demonstrates the financial position of a business on a specific date. The financial position of a business is found by tabulating its assets and liabilities on a particular date. The excess of assets over liabilities represents the capital sunk into the business and reflects the financial soundness of a company. Now it's known as the statement of financial position of the company.

Explain Balance sheet

Having prepared the Manufacturing, Trading and Profit and loss account, a businessman will like to know the financial position of his business. For this purpose, he prepares a statement of his assets and liabilities as on a particular date. Such a statement is termed as "Balance sheet". Thus, Balance sheet is not an account but only a statement containing the assets and liabilities of a business on a particular date. It is as a matter of fact a classified summary of the various remaining accounts after accounts relating to incomes and expenses have been closed by transfer to manufacturing, Trading and Profit and Loss Account.

Balance sheet has two sides on the left hand side, the "liabilities of the business are shown while on the right hand side the assets of the business appear.

Define cost

In production, research, retail, and accounting, a **cost** is the value of money that has been used up to produce something or deliver a service, and hence is not available for use anymore. In business, the cost may be one of acquisition, in which case the amount of money expended to acquire it is counted as cost. In this case, money is the input that is gone in order to acquire the thing. This acquisition cost may be the sum of the cost of production as incurred by the original producer, and further costs of transaction as incurred by the acquirer over and above the price paid to the producer. Usually, the price also includes a mark-up for profit over the cost of production.

Various elements of cost

The costs of an industrial enterprise

three principle elements, namely:

1. Material
2. Labour.
3. Expense.

1. Material

(i) It is the cost of commodities supplied to an undertaking.

(ii) It is of two types:

- (a) Direct material cost.
- (b) Indirect material cost.

a. Direct material cost

(i) A direct material is one which goes into a salable product or its use is directly essential for the completion of that product. e.g, a H.S. S. bit for making a turning tool for lathe; Fe, Ni, Cr., etc. to make alloy steels.

(i) The amount paid for or the money spent on direct materials is known as Direct material cost.

(ii) Since, direct material used can be traced to a specific product and its cost becomes part of the prime cost, the direct material cost can be controlled in a positive way.

6. Indirect material

"an indirect material is one which is necessary in the production process but is not directly used in the product itself, e.g, it does not become an integral part of the product, e.g, cotton waste, greases, oils, Sand paper etc.

2. Labour Cost

It is the cost of remuneration (wages, salaries, Commissions, bonuses, etc.) of the employees of a concern or enterprise. Like material cost, labour cost is also classified as

- (a) Direct labour cost.
- (b) Indirect labour cost.

a. Direct labour cost

(i) The direct labour cost is the cost labour that can be identified directly with the manufacture of the product and allocated to, cost centres or cost units.

(ii) A direct labourer is one who converts the direct material into salable products; the wages, etc. of such employees constitute Direct Labour cost.

b. Indirect labour cost

(i) It is that labour cost which cannot be allocated but which can be apportioned to, or absorbed by, cost centres or cost units.

(ii) This is the cost of the labour that does not alter the conformation, composition or condition of the direct material but is necessary for the progressive movement and handling of the product to the point of despatch. Examples of Indirect or non-productive workers are: maintenance men, helpers (in a machine shop or foundry), machine setters, supervisors and foremen, etc.

-3. Expense

(i) It is a collective title which refers to all charges other than those incurred as direct result of employing workers or obtaining material.

(ii) Expenses include the cost of services provided to an undertaking and the notional cost of the use of owned assets.

(iii) Expenses may be of two types;

(a) Direct expenses.

(b) Indirect expenses. -

a. Direct expenses

1. Costs of special layouts, designs or drawing produced for a specific job are the direct expenses of such a job, provided.

(i) layouts, design or drawings are totally consumed on the job.

(ii) though they can be used again but there are hardly any chances of their being used again.

2. Hire of special or single purpose machine tools or other equipment's for completing a particular production order.

b. Indirect expenses

(i) These are the expenses which cannot be allocated but which can be apportioned to, or absorbed by, cost centres or cost units

(ii) Example of indirect expenses are: Rent of building : Insurance premium Telephone bill, etc.

1. Fixed expenses

(1) fixed expenses are those costs that tend to remain relatively constant regardless of the volume of production.

(ii) Examples of fixed expenses are, Taxes on land and building. Depreciation arising from time

Rent

2. Variable expenses

(i) variable expenses are those which tend to vary directly with the volume of production.

(ii) Example of variable expenses are, Royalties paid on a volume basic (as in case of gramophone records). Depreciation arising from use.

Explain cost volume, profit relationship and Break-even point

Cost-Volume-Profit Analysis (or break-even analysis) is a logical extension of marginal costing. It is based on the same principles of classifying the operating expenses into fixed and variable. Now-a-days it has become a powerful instrument in the hands of policy makers to maximize profits. Cost-Volume-Profit analysis examines the relationship of costs and profit to the volume of business to maximize

profits. The term cost Volume profit analysis is interpreted in the narrower as well as broader sense used in its narrower sense, it is concerned with finding out the "crisis-point, (i.e., break-even point) i.e., level of activity when the total cost equal total sales value in other words, it help in locating the level of output which eve

(i) The analysis assists in evaluation of performance for the purpose of control. In order to review profits achieved and costs incurred, it is necessary to evaluate the effects on costs of changes in volume.

(iv) This analysis also assists in formulating price policies by showing the effect of different price structures on costs and profits. We are aware that pricing plays an important part in stabilizing and fixing up volumes especially in depression period.

(v) This analysis helps to know the amount of overhead costs to be changed to the products cost at various levels of operation as we know that pre-determined overhead rates are related to a selected volume of production.

For the sake of convenience, the elements of costs can be written in the form of an equation as follows:

Sales = Variable cost + Fixed Expenses + Profit/Loss or, Sales - Variable costs = Fixed expenses + Profit Loss or, $S - V = F + P$ where 's' stands for sales, 'v' for variable costs, 'P' for fixed expenses, +p for profit and -p for loss.

Or $s - v = c$ because $f + p$, i.e., fixed expenses + profit = contribution.

In order to make profit, contribution must be more than the fixed expenses and to avoid any loss, contribution must be equal to the fixed expenses.

The marginal cost equation of $S - V = F + P$ is very useful to find any of the four factors, i.e., S, V, F or P if three of these factors are known.

Define the following terms :-

(i) Purchase returns (ii) Commission

(iii) Cash & credit trade (iv) Debtor

Purchase returns:

If a firm returns to the vendor the goods purchased from him (due to some reason), it is known as purchase returns.

Commission:

It is a kind of a remuneration given by a firm to a person for his services rendered to the firm.

Cash and Credit trade:

It is a cash trade when a person buys and sells goods for cash only. It is a credit trade when a person makes both cash and credit sales and purchases.

Debtor :

One (Person or firm who owes money to others, i.e., he has to pay money to others.

Define the following terms

(i) Creditor (ii) Bad debt

(iii) Turnover

Creditor : One to whom others owe money, i.e., he has to get money from others.

Bad debt: A bad debt is one which becomes irrecoverable, for some reason, for example if the debtor dies without leaving any property behind

Turnover : Turnover implies the total (credit and cash) sales of a business

Different types of Assets

Assets are the resources of the business enterprise, e.g, properties, equipment, stocks, debtors, cash, etc. Assets thus, include both money and right to future, services.

Types; Assets are conventionally classified on the balance sheet in three major categories, namely:

- (a) Current assets.
- (b) Fixed assets.
- (c) Other assets.

(a) Current assets : Current assets include cash and other assets that, under normal business conditions, can be converted into cash within a short time frame (i.e, 1 year or less). Current assets may be consumed in immediate day-to-day operations of the business. Current assets include:

- (i) Cash in hand,
- (ii) cash in bank,
- (iii) Notes receivable,
- (iv) Investment,
- (v) Debtors,
- (vi) Accounts receivable,
- (vii) All inventories, and
- (viii) Funds in checking accounts.

(b) Fixed assets : Fixed assets have relatively permanent existence and are not readily converted into cash. Fixed assets are held for the purpose of earning income and they are not sold in the course of trading. Fixed assets are used in the operations of business. Fixed assets include:

- (i) Land,
- (ii) Building,
- (iii) Equipment and machinery.
- (iv) Furniture, and,
- (v) Transport vehicles.

(c) Other assets :

Other assets are those which do not fall into either current assets or fixed assets Categories

Other assets include:

- (i) Patents,
- (ii) Copyrights,
- (iii) Franchises, (iv) Goodwill,
- (v) Investment in the securities of other companies which management intends to hold for a long time.
- (vi) Investments in bond sinking funds.
- (vii) Investments in pension funds, etc.

4. FINANCIAL MANAGEMENT

Meaning of working capital

Ans: Broadly speaking working capital is taken either as the total current assets or as the excess of current assets over current liabilities working capital in the first sense is known as gross working capital and in the second sense it is known as net working capital Both the net and gross concepts of working capital are important. Gross working capital focuses attention on the efficient management of individual current assets in the day-today operations of the business. But for having a long term view of working capital, it is essential to concentrate on the net concept of working capital, because long term funds are to be arranged for financing net working capital. Thus working capital can be defined as the excess of current assets over current liabilities. Working capital can be said to be that portion of a firm's current assets which is financed by long term funds when we take working capital as the excess of current assets over current liabilities. For example, a business requires current assets such as cash, accounts receivable, inventory and short term investment to the extent of Rs. 25,00,000. A part of this requirement of current assets can be financed by the firm by current liabilities such as purchasing on credit or postponing certain payments like salaries, rent etc. or arranging bank overdraft for a temporary period suppose the amount of current liabilities in the present case comes to Rs. 15,00,000 and still the firm needs Rs. 10,00,000 (i.e. current assets Rs. 25,00,00- current liabilities Rs. 15,00,000) which will be financed by long term funds.

Various types of working capital

The classification of working capital can be made in two ways.

(1) Gross Concept

According to this concept, the working capital may be classified as capital invested in the various types of current assets such as cash, inventories, receivables etc. This classification is important from financial manager's point of view as it lays emphasis on the various areas of functional responsibility but it totally ignores the time which is very important in the formulation of procurement policies.

(2) Time Concept

This classification uses time as base and distinguishes between permanent working capital permanent working capital temporary working capital permanent working capital as the minimum amount required to ensure effective utilisation of fixed assets and to support the normal operations of the business. It will remain permanently in the business and will not be returned until the business is wound up. Temporary working capital is required for short periods to meet some special exigency, In case of seasonal industries, the amount of such capital will be more. It cannot be used properly in the business beyond the time of emergency.

Mention the activities, duties and functions of purchasing Department

Activities, Duties and functions of Purchasing Department are:

- (i) Keep records-indicating possible materials and their substitutes.*
- (ii) Maintain records of reliable sources of supply and prices of materials*
- (iii) Review material specifications with an idea of simplifying and standardizing them*
- (iv) Making contacts with right sources of supply.*
- (v) Procure and analyses quotations.*
- (vi) Place and follow up purchase order.*
- (vii) Maintain records of all purchases.*
- (viii) To make sure through inspection that right kind (i.e. quantity, quality, etc.) or material has been purchased.*
- (ix) To act as liaison between the vendors and different departments of the concern such as production, quality, control, finance, maintenance, etc.*
- (x) To keep an interrupted supply of materials so that production continues with least capital tied in inventories.*
- (xi) To prepare purchasing budget.*

(XII) To prepare and update list of materials required by different departments of the organisation within a specified span of time.

(XIV) To handle subcontracts at the time of high business activity,

(XV) To ensure that prompt payments are made to the vendors in the interest of good public relations

Define inventory and inventory control

Inventory is a detailed list of those movable items which are necessary to manufacturer product and to maintain the equipment and machinery in good working order. The quantity and the validity of every item is also mentioned in the list.

Inventory is actually 'money' kept in the store room in the shape of a high speed steel bit, a mild steel rod, milling cutters or welding electrodes

(a) Inventory control is concerned with achieving an optimum balance between two competing objectives. The objectives are:

(i) to minimize investment in inventory.

(ii) to maximize the service levels to the firm's customers and its own operating departments

(b) Inventory control may be defined as the scientific method of finding out how much stock should be maintained in order to meet the production demands and be able to provide right type of material at right time in the right quantities and at competitive prices.

Inventory may be classified as follows:

(i) Raw inventories. They include, raw material and semifinished products supplied by another firm and which are raw items for the present industry.

(ii) in-Process inventories: They are semi finished goods at various stages of manufacturing cycle.

(iii) Finished inventories: They are the finished goods lying in stock rooms and waiting dispatch.

(iv) Indirect inventories: They include lubricants and other items (like spare parts) needed for proper operation, repair and maintenance during manufacturing cycle.

Define capital and types of capital

Ans: Capital, in its meaning, covers all the elements (e.g. money land, building, machinery, materials, etc.) A business man needs to start an enterprise. Capital is the measure of the amount of resources of an enterprise. Capital develops products, keeps workers and machines at work, encourages management to make progress and create value.

Types of capital

Capital may be of the following two types:

(1) Fixed or Block capital.

(2) Working or current capital

(a) Fixed capital is associated with long term assets whereas working capital pertains to current operations.

(b) For running an industry, two types of capital are needed one for purchasing fixed assets such as land, building, machinery, etc and is known as fixed capital, whereas the other which is required for day to day needs is labelled as working capital

Fixed capital.

(a) When an industrial enterprise is started from the ground up it requires capital to make/ purchase.

Land, Building, Equipment and machinery, Tools, and furniture, etc. Assets of this type are used over and over again for a number of years and are commonly termed fixed capital. Once fixed assets, e.g. building equipment, machinery etc. have been purchased, the enterprise needs funds to meet its day to day needs and expenditures such as.

- (1) Purchase of raw material and supplies.
- (2) Payment of employee wages.
- (3) Storage costs.
- (4) Advertisement and selling expenses.
- (5) Equipment and plant maintenance costs.
- (6) Transportation and shipping expenses.
- (7) Expenditures during the time lag between the sale of the products and payment for them.

Importance of financial management

basic objectives of the financial management are:

- (1) To maintain liquidity of the firm
- (2) To maximize profitability of the firm.
- (3) To maximize wealth of the shareholders

These objectives or importance are dealt in detail hereunder:

- (1) It is an important task for the financial manager to keep the liquidity of the firm to such an extent that the firm shall be able to easily meet its financial obligation without any delay and difficulty so that the solvency of the firm is not endangered,
- (2) To maximize profitability of the firm The operational efficiency of the firm is assessed from the amount of return it generates on the capital employed by it. Therefore, it is very necessary for a firm to direct all its decision towards the goal of profit maximisation this can be achieved by increasing sales turnover and minimising the manufacturing and financial cost.
- (3) To maximize wealth of the shareholders One of the main objectives of the financial management is to maximize the shareholders wealth. It shall take all decisions which aims at maximizing the wealth of the shareholders. For example. if the firm has earned profit and it has to decided whether to retain the profit for investment in projects in hand or to distribute it in form of dividend. Now the decision would depend on the rate which the project in hand would provide to the firm. If the rate at which shareholders can generate return is higher than the rate at which firm can generate return then, according to wealth maximization approach, payment of dividend would, considered appropriate

5. Stores & Purchase Management

What is an Inventory?

Inventory is an accounting term that refers to goods that are in various stages of being made ready for sale, including:

- Finished goods (that are available to be sold)
- Work-in-progress (meaning in the process of being made)
- Raw materials (to be used to produce more finished goods)

Types of Inventory

Inventory is generally categorized as raw materials, work-in-progress, and finished goods. Raw materials are unprocessed materials used to produce a good. Examples of raw materials include aluminum and steel for the manufacture of cars, flour for bakeries production of bread, and crude oil held by refineries.

Work-in-progress inventory is the partially finished goods waiting for completion and resale; work-in-progress inventory is otherwise known as inventory on the production floor. For example, a half-assembled airliner or a partially completed yacht would be work-in-process.

Finished goods are products that have completed production and are ready for sale. Retailers typically refer to this inventory as "merchandise." Common examples of merchandise include electronics, clothes, and cars held by retailers.

Benefits of Inventory Management

Possessing a high amount of inventory for a long time is usually not advantageous for a business because of storage costs, spoilage costs, and the threat of obsolescence. However, possessing too little inventory also has its disadvantages; for example, the business runs the risk of market share erosion and losing profit from potential sales. Inventory management forecasts and strategies, such as a just-in-time (JIT) inventory system (with backflush costing), can help minimize inventory costs because goods are created or received only when needed.

7 MOST EFFECTIVE INVENTORY MANAGEMENT TECHNIQUES ARE AS FOLLOWS:

There are various types of inventory management techniques which can help in efficient inventory management. They are as follows:

Types of Inventory Management Techniques
1. ABC Analysis
2. Just In Time (JIT) Method
3. Material Requirements Planning (MRP) Method
4. Economic Order Quantity (EOQ) Model
5. Minimum Safety Stocks
6. VED Analysis
7. Fast, Slow & Non-moving (FSN) Method

ABC ANALYSIS

ABC analysis stands for Always Better Control Analysis. It is an inventory management technique where inventory items are classified into three categories namely: A, B, and C. The items in A category of inventory are closely controlled as it consists of high-priced inventory which may be less in number but are very expensive. The items in B category are relatively lesser expensive inventory as compared to A category and the number of items in B category is moderate so control level is also moderate. The C category consists of a high number of inventory items which require lesser investments so the control level is minimum

JUST IN TIME (JIT) METHOD

In Just in Time method of inventory control, the company keeps only as much inventory as it needs during the production process. With no excess inventory in hand, the company saves the cost of storage and insurance. The company orders further inventory when the old stock of inventory is close to replenishment. This is a little risky method of inventory management because a little delay in ordering new inventory can lead to stock out situation. Thus this method requires proper planning so that new orders can be timely placed.

MATERIAL REQUIREMENTS PLANNING (MRP) METHOD

Material Requirements Planning is an inventory control method in which the manufacturers order the inventory after considering the sales forecast. MRP system integrates data from various areas of the business where inventory exists. Based on the data and demand in the market, the manager would carefully place the order for new inventory with the material suppliers.

ECONOMIC ORDER QUANTITY (EOQ) MODEL

Economic Order Quantity technique focuses on taking a decision regarding how much quantity of inventory should the company order at any point of time and when should they place the order. In this model, the store manager will reorder the inventory when it reaches the minimum level. EOQ model helps to save the ordering cost and carrying costs incurred while placing the order. With the EOQ model, the organization is able to place the right quantity of inventory.

MINIMUM SAFETY STOCKS

The minimum safety stock is the level of inventory which an organization maintains to avoid the stock-out situation. It is the level when we place the new order before the existing inventory is over. Like for example, if the total inventory in an organization is 18,000 units, they place a new order when the inventory reaches 15,000 units. Therefore, the 3,000 units of inventory shall form part of the minimum safety stock level.

VED ANALYSIS

VED stands for Vital Essential and Desirable. Organizations mainly use this technique for controlling spare parts of inventory. Like, a higher level of inventory is required for vital parts that are very costly and essential for production. Others are essential spare parts, whose absence may slow down the production process, hence it is necessary to maintain such inventory. Similarly, an organization can maintain a low level of inventory for desirable parts, which are not often required for production.

FAST, SLOW & NON-MOVING (FSN) METHOD

This method of inventory control is very useful for controlling obsolescence. All the items of inventory are not used in the same order; some are required frequently, while some are not required at all. So this method classifies inventory into three categories, fast-moving inventory, slow-moving inventory, and non-moving inventory. The order for new inventory is placed based on the utilization of inventory.

INVENTORY MANAGEMENT

INVENTORY MANAGEMENT is practice of tracking and controlling inventory orders, its usage and storage along with management of finished goods that are ready for sale.

VARIOUS MANAGEMENT TECHNIQUES

ABC ANALYSIS

Here inventory items are classified into three categories namely : **A (Highly expensive), B (Moderately Expensive), and C (Least Expensive).**

In this method, the company keeps only that much of inventory which is needed during production. This saves insurance and storage cost.

JUST IN TIME

MRP

Material Requirement Planning (MRP) is a technique in which order is placed after considering sales forecast.

In this model, the store manager will reorder the inventory when it reaches the minimum level.

EOQ MODEL

MIN. SAFETY STOCK

It is the level of inventory which an organization maintains to avoid the stock-out situation.

Vital Essential and Desirable (VED) is used for controlling the spare parts of inventory

VED ANALYSIS

FSN METHOD

Fast Slow and Non Moving (FSN) Method is very useful for controlling obsolescence.

Purchasing management is the *management* of the purchasing process and related aspects in an organization. A purchasing management department can be formed and operated by one or more employees in order to ensure that all services, goods, supplies, and inventory needed for the organization to operate are ordered and kept in stock, as well as control *inventory* levels and costs associated with purchasing the items.

Purchasing management includes (and not only) the following expertise:

1. Supplier Management
2. Cost and Cost Reduction Management
3. Ramp up / slow down Management
4. Risk assessment
5. Purchase Order Management

6 Major Principles of Purchasing

Some of the major principles of purchasing are: 1. Right Quality 2. Right Quantity 3. Right Time 4. Right Source 5. Right Price and 6. Right Place.

1. Right Quality:

The term right quality refers to a suitability of an item for the purpose it is required. For producing the goods of best quality, the best grade of raw material may be the right quality whereas for producing items of medium quality, the average lowest grade may be the right quality.

Thus, the right quality is the suitability of items purchased for a given purpose. The best quality of materials purchased need not be the right quality.

2. Right Quantity:

Materials purchased should be of right quantity. The right quantity is the quantity that may be purchased at a time with the minimum total cost and which obviates shortage of materials. Ensuring and maintaining a regular flow of materials for carrying the production activity is the vital aim of any purchase organisation. Excess purchases should be avoided, it results in overstocking and capital is unnecessarily blocked and inventory carrying cost goes up.

3. Right Time:

The time at which the purchases are to be made is of vital importance. In case of items used regularly, right time means the time when the stock reaches the minimum level. The reorder level of material is fixed for each item under the principle of right time.

Action for the purchase of new supplies should be immediately initiated, when the material reaches the reorder level. Reorder level for each type of material is calculated by applying the following formula.

Reorder level = Maximum Consumption \times Maximum Reorder Period. The materials control department sends the purchase requisition to be purchase department for the purchase of materials. In case materials are required for special jobs, the Purchase Department ensures that the materials are delivered in time.

4. Right Source:

Selecting the right source for the purchase of materials is an important consideration in the purchase procedure. The right source for the procurement of materials is that supplier who can supply the material of right quality as ordered, in right quantity as ordered, at a right time at which the materials were required to be supplied, at an agreed price with the supplier, who is in a position to honour the commitment without much follow-up, who has necessary financial resources and adequate man-power to handle the order and who is well established with higher reputation and proven business integrity.

The source of material should be located within a reasonable distance from the buyer's organisation. This will minimise the delivery delays, higher transportation charges and improve the personal contact between the buyer and the supplier and enable better after-sales service etc.

5. Right Price:

Determination of right price is a difficult task. It is the main object of any organisation to procure the material items at the right price. It is that price which brings the best ultimate value of the money invested in purchasing the materials.

Deciding the right price of a product depends on variety of factors, viz.; quality, delivery time and ultimate life of the material, demand and supply curve, extent of competition, government restrictions, after sales services, discount offered, and terms of purchase etc. It may be pointed out here that the determination of proper price depends not only on market knowledge but also a clear understanding of the pricing process.

6. Right Place:

Besides obtaining the materials of the right quality and quantity from the right source at the right price, it should be ensured that the materials are available at the right place. Transportation and material handling costs are greatly affected by the selection of the right place from where the materials are to be acquired. For minimising these costs, selection of right place for the acquisition of material is of

utmost importance. If local as well as outside supplier fulfills these conditions, the former should be preferred. The above mentioned principles of purchasing can be summed up as the six R's of purchasing. These are also known as the "essentials" to be followed by the purchasing executive.

Top 7 Procedures for Purchasing Materials

1. Determining Purchase Budget:

Purchase Manager prepares a purchase budget for the forthcoming financial year. Purchase budget is prepared with the help of production planning department. It contains detailed information regarding quantity to be purchased, quality of materials, time of purchase and the sources of procurement. A schedule of materials and components needed for various jobs, known as bill of materials, is also prescribed for working out details of purchase budget. A bill of materials is also useful in exercising control over the utilization of materials.

2. Receipt of Purchase Requisition:

The purchase officer initiates action for the purchase of materials only when he receives a request for the same. The store-keeper and departmental heads send requisition slips to purchase department giving details of materials required by their departments etc. A purchase requisition is a form used as a formal request to the purchasing department to purchase materials.

This form is prepared by the store keeper for regular stock materials and by the departmental head for specific materials not stocked as regular items. The storekeeper knows when an action or fresh procurements is to be initiated. He will send the requisition when materials reach re-ordering level. He retains one copy of the requisition with him for future reference. It is on the basis of purchase requisition that orders are placed for materials.

3. Determining Sources of Supply:

Purchase Manager remains in touch with various suppliers of materials. The quotations are invited for the purchase of specific items. After receiving quotations a comparative study is made regarding terms and conditions offered. The factors to be considered include price, quantity, quality, time of delivery, terms of payment, trade discount and reputation of suppliers. After looking at various factors a final decision is taken about the supplier of goods.

4. Placing Order:

After selecting a supplier a formal purchase order is sent for the supply of goods. A purchase order is sent on a printed form and is duly authorized by the purchase manager. This order should contain details about the quantity, quality, price, mode of delivery, terms of payment etc. The purchase order authorizes the vendor to despatch goods specified in it. It establishes a contractual relation between the buyer and the vendor.

5. Follow-Up of Purchase Order:

A purchase order normally bears a date by which the goods must be delivered. It is in the interest of the organization that goods are received in time for keeping uninterrupted flow of materials. The suppliers may be reminded of the date of delivery of goods. A follow-up of purchase order is necessary to receive stocks in time.

6. Receipt and Inspection of Materials:

In big concerns the task of receiving materials is assigned to the purchase department whereas in small concerns this work is done by the store keeper. After unpacking goods their quantity is compared to that given in delivery challans. Any discrepancy in items is reported to the purchase department. The specifications and quality of goods is also checked at this stage.

7. Checking Invoices:

Lastly, purchase department checks the invoices supplied by the vendor with that of its own records. The quantity, quality, price, terms etc. are compared with those given in purchase order. After making full checking the invoices are sent to accounts department for payment.

Important Store Records

1. Bin Card:

This is a card which is attached to each bin, rack, shelf or other container for stores. A record of all materials entering or leaving the bin and balance of material in hand is kept in this card. These cards are entered by the store-keeper and only the quantities are recorded.

These should tally with the quantities of material as shown in the relevant account in the stores ledger. This will enable the store-keeper to ascertain the quantity of any material in stock and remind him to requisition of fresh stock, when the minimum stock has been reached.

Stores ledger

A stores ledger is generally a record of materials used in production. It records items purchased as an increase to the inventory and items issued to the production department as a decrease to inventory so as to show the available inventory of that material at any given time. Those items issued to the production department are incorporated into the product and become part of the cost of producing that product.

Goods Received Note

Goods Received Note is the record of goods received by the store manager. After receiving the goods, inventory ledger is updated mentioning the GRN number along with the date. This document is used to confirm whether all goods mentioned in the purchase order (PO) have been received. Following issues need to be considered with GRN process:

- *Processing time may be slow and goods may be lost before GRN*
- *Purchase order reference may not properly be mentioned on GRN*
- *Accurate matching goods received against multiple purchase order line items for various departments*
- *Repeat order problem may arise*
- *Duplicate order, incorrect amount of items may impact on purchase cost*
- *Disputing or damaged or faulty goods may be received*

6. PRODUCTION MANAGEMENT

What is the basic objective of production planning? And state the factors determining production planning procedures?

Ans. Objective of production planning is to provide a physical system together with a set of operating guidelines for efficient conversion of raw materials, human skills and other inputs into

finished products, Factors determining production planning procedures. The production planning procedures used varies from company to company. Production planning may begin with a product idea and a plan for the design of the product and the entire production/ operating system to manufacture the product. It also includes the task of planning for the manufacturing of a modified version of an existing product, using the existing facilities. The wide difference between planning procedures in one company and another is primarily due to the differences in the economic and technological conditions under which the firms operate. The three major factors determining production planning procedures are :

1. Volume of Production : The amount and intensity of production planning is determined by the volume and character of the operations and the nature of the manufacturing processes. Production planning is expected to reduce manufacturing costs. The planning of production in case of custom order job shop is limited to planning for purchase of raw materials and components and determination of work centres which have the capacity of manufacturing the product. In high volume operations, extensive production planning is necessary in planning for the design of both the product and the production processes in order to achieve substantial cost reduction when a large number of products are produced.

ii. Nature of production Processes : In job shop, the production planning may be informal and the development of work methods is left to the individual workman who is highly skilled. In high volume production, many product designers, equipment designers, process engineers and methods engineers are involved and they put enormous amount of effort in designing the product and the manufacturing processes.

iii. Nature of Operations : Detailed production planning is required for repetitive operations, for example, in case of continuous production of a single standardize product.

The variants in manufacturing approach are:

(a) Manufacturing to order which may or may not be repeated at regular intervals.

(b) manufacturing for stock and sell (under repetitive batch or mass production). Example : Manufacture of automobiles, watches, typewriters etc.

(c) Manufacturing for stock and sell, (under continuous process manufacturing). Example : Chemical and food products, soap, synthetic yarn etc. The degree to which production planning is carried varies with the nature of the process.

Importance and the benefits of production control.

Importance of production control:

The function of production control is to :

i. Provide for the production of parts, assemblies and products of required quality and quantity at the required time.

ii. Co-ordinate, monitor and feedback to manufacturing management, the results of the production activities, analyzing and interpreting their significance and taking corrective action if necessary.

iii. provide for optimum utilization of all resources.

iv. Achieve the broad objectives of low cost production and reliable customer service.

Benefits of production control :

1. Improvement in profits through:

(a) Maintenance of a balanced inventory of materials, parts, work-in-process and finished goods.

(b) Balanced and stabilized production.

(c) Maximum utilization of equipment, tooling, labour (manpower) and manufacturing and storage space.

(d) minimum investment in inventory.

(e) Reduction in indirect costs.

(f) Reduction in set up costs.

(g) Reduction in scrap and rework costs.

(h) Reduction in inventory costs.

Competitive advantage:

(a) Reliable delivery to customers.

(b) Shortened delivery schedules to customers.

(c) Lower production costs and greater pricing flexibility.

(d) Orderly planning and marketing of new or improved products.

Elements of production control

Elements of Production control are:

1. Control of planning : Assure receipt of latest forecast from sales and production planning, bill of material data from product engineering and routing information from process engineering,

2. Control of materials : Control of inventory and providing issue of materials of the shop and movement of materials within the shop

3. Control of tooling : Check on the availability of tooling and provide for issue of tools to shop departments from tool cribs.

4. Control of manufacturing capacity : Determine the availability of equipment and labour capacities and issue realistic production schedules and provide a means of recording completed production.

5. Control of activities : Release order and information at assigned times.

6. Control of quantity : Follow-up of progress of production in order to ensure that the required quantities are processed at each production step and to ensure that corrective action is initiated where, work fails to pass each stage of inspection.

7. Control of material handling : Release orders for movement of work to ensure availability of material as required at each stage of the operation.

8. Control of due dates : Check on the relation of actual and planned schedules and determine the cause of delays or stoppages that interfere with weekly schedules of work assigned to each machine or work centre.

9. Control of information : Distribute timely information and reports showing deviations from plans so that corrective action can be taken and provide data on production performance measurements for future planning.

Define production planning and control function and state the important of production planning and control.

Ans: Production planning and control is a managerial function which plans, directs, and controls a material flow system in the plant to achieve the targets set by marketing with utmost economy and efficiency

Importance of production planning and control

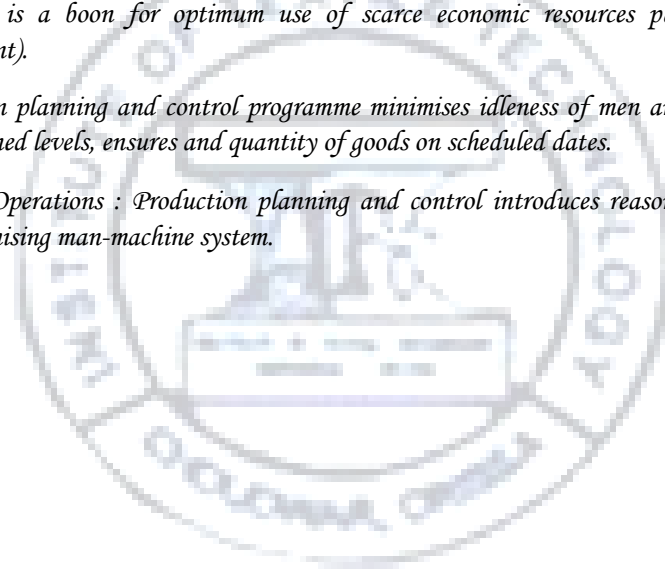
1. *Plants Nervous System: Production planning and control co-ordinates and regulates all plant operations just as our nervous system regulates and co-ordinates our breathing and muscular movement. In a large plant involving numerous parts and components to manufacture a final product such as motor car, type writer and so on. Production, Planning and control assumes unique importance and demands expert personnel.*

2. *Intermittent Process Industry: In assembly-line or flow production, control is simple as the route of material flow has natural sequence. But in intermittent process industry we have batch production. Goods are made as per order. In such industries production planning and control become absolutely necessary to assure deliveries as planned and as demanded by customers.*

3. *Cost Control: Under good production planning and control we can optimize the utilization of men, machinery, materials and money, through effective planning, organising, motivating and controlling multifarious operations in the plant. The net result is reflected in reducing all costs to the minimum. Thus production planning and control is a powerful tool of controlling costs and preventing wastes. Production Planning and control is a boon for optimum use of scarce economic resources particularly capital and means of production(Machinery and equipment).*

4. *A successful production planning and control programme minimises idleness of men and machine, assures adequate raw materials. keeps inventories at planned levels, ensures and quantity of goods on scheduled dates.*

6. *Rationalisation of Plant Operations : Production planning and control introduces reason into plant operations. We have scientific approach in organising man-machine system.*



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7. Sales & Marketing Management:

. Define sales management

Ans. 1. Business functions can be broadly divided into three areas namely

finance, production, and sales

(2) Sales function is a very vital phase of the business.

(3) Sales management is the term applied to the process of distributing goods from the producer to the ultimate user it consists of advertising and selling, storing, transporting and handling the financing or risk-taking

(4) The three biggest problems which seem to be attached with sales management are,

(a) managing sales force and making them understand the definition of their jobs, i.e., the sales force must know who is selling what, where and to whom.

(b) compensation of salesmen, i.e., rewarding sales force suitably.

(c) Training of sales force.

Explain sales (marketing) organization ?

Ans. The organization of the sales force or sales department is

largely determined.

1. by function;

2. by area:

3. by product group

4. by customer category and end-user category.

1. Functional Organization

i. The functional organization (fig. 6.1) is usual for the small or medium sized company with a limited range of related products.

ii. Functional organization has various functional (Marketing) departments or specialists reporting to a sales or a marketing director.

Functional organization suffers from certain disadvantages such as

(a) Inadequate detailed planning for specific products and markets, since no body is assigned full responsibility for any product or market

(b) Products that are not favorites with various functional specialists tend to get neglected.

2. Area Based Organization

The area based organisation is one of the more common ones in use for concerns with a relatively limited range of products requiring selling and distribution to be on a more or less nationwide scale through many outlets.

3. Product Group Organization:

(a) This type of sales Organization fig 6.3 is employed when there is a wide range of relatively unrelated product groups which require different selling methods and the company sales forces require their own particular market and technical knowledge.

4. End use and Customer class sales organisation :

a) If an enterprise is selling a substantial range of products to dissimilar types of customer or for different uses, the selling operations are split up by type of customer or end use.

b) Separate sales forces are necessary.

c) However, Marketing services may either be kept centralised or again split up as per the particular division of the selling operations.

5. customer class sales organisation.

Explain the functions of sales departments

Ans. Functions of sales department are :

i. Analysing markets thoroughly..

ii. Studying consumer's psychology and demand.

iii. Studying the conditions existing in competitive firms.

iv. Studying the market fluctuations.

v. Preparing market, sales and other relevant business forecasts

vi. Assisting in the preparation of marketing plan.

vii. Preparing the sales budgets from the marketing plan.

viii. Deciding on the distribution policy, methods and network,

ix. Planning of the advertising campaign.

x. Ensuring suitable packing of the products.

xi. Creating communications network for the department.

xii. Developing systems for sales reporting and statistical analysis

xiii. Providing technical advisory and other services to the customers.

xiv. Determining sales staff requirements and handling the recruitment, training and compensation of sales staff.

xv. To explore newer markets for selling the company products.

xvi. Ensuring effective coordination with production and financial departments.

xvii. Striving continuously to lower selling costs, to expand sales and to improve the product for its wider acceptability.

Define marketing ?

Ans.

a. Marketing means working with markets, I.e, trying to actualize potential exchanges for the purpose of satisfying human needs and wants.

b. Marketing, therefore, may be defined as human activity directed at satisfying needs and wants through exchange processes; examples of human needs and wants are food water, clothing, edu-

cation and other services.

c. Marketing in its broad meaning includes the policy, techniques and methods necessary for selling and distribution without marketing function, goods and services cannot be sold.

d. Marketing is the total commercial and support activities of any enterprise to effect sales of company end products or services.

e. Marketing involves planning and execution of all aspects and activities of a product so as to exert optimum influence on the consumer to result in maximum consumption at the optimum price and therefore producing the maximum long term profit.

Narrate the principles of marketing.

Ans. The five basic principles of sound marketing are

- 1. Marketing must provide a means of classifying, assessing and integrating information relevant to a business.*
- 2. It must provide a sound base for thinking about and studying business problems and provide methods to draw correct conclusions which form basis for action.*
- 3. Marketing must be able to explain, predict and control the process it employs.*
- 4. Marketing must use analytical method such as O.R. statistics. Computer Technology, etc, to solve its problems.*
- 5. Marketing should allow the derivation of a number of its principles adaptable to any particular business*

Mention the functions or objectives of marketing.

Ans. The functions, aim and objectives of marketing are:

- i. To give direction and purpose to the marketing division as a whole as well as to its various departments.*
- ii. To place present activities in perspective.*
- iii. To discipline various future activities.*
- iv. To place tactical plans correctly in the strategic setting.*
- v. To set growth targets.*
- vi. To establish the organisation and the methods which will be required.*

Define marketing management and its functions.

Ans. 1. Marketing management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target markets for the purpose of achieving objectives of the organisation. Marketing management relies heavily on designing the organization's offering in terms of the target market's needs and desires and using effective pricing, communication, and distribution to inform, motivate and service the market.

The broad functions of marketing management consist of the following:

- 1. Marketing Research*
- 2. Sales forecasting*
- 3. Advertising*
- 4. Sales promotion*
- 5. Selling*
- 6. Handling of inquiries and orders from customers*
- 7. Packing, and*
- 8. Servicing*

Explain Advertising

Ans. 1. Just as communication is vital to good internal management, so is advertising vital to the earning of profit.

- 2. Running a business without advertising is just like winking at a beautiful girl in the dark; you know what you are doing but she does not know it.*
- 3. Advertising is generally regarded as a form of communication the purpose of which is to convey concepts about companies, goods and services by means of words, pictures, diagrams, sound music, colour, shapes and symbol on two levels of significance the national and the emotional.*
- 4. Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor.*
- 5. Advertising may be defined as commercial messages to the public, designed to inform potential and established consumers and to encourage sales for the advertiser.*

6. Advertising can stimulate demand and, where necessary, can even create demand where none exists.
7. Advertising arouses public interest, fosters a buying attitude and raises consumer demand for the products of a company.
8. Advertising is the pivot of modern trade commerce and business.

Mention the functions and objectives of advertising ?

- Ans. 1. Advertising introduces existing and new company products to the public.
2. Advertising enhances potential buyer's responses to the company and its offerings.
 3. Advertising tells that a product which the customers want exists and from where it can be procured and at what price.
 4. Advertising is undertaken to reduce selling costs, because large volume of production will lead to economies, if through advertising, it can be supported by mass distribution.
 5. Advertising makes a product stand against its competitor products.
 6. Advertising i) finds new users ii) supports salesmen iii) increases profit iv) reaches customers who would otherwise be inaccessible to sales staff v) tells the public, the good qualities of the product, 1.. why people should purchase only this brand,
 7. Advertising convinces retailers that they should keep the products of that company
 8. Advertising creates a confidence in the minds of buyer for grading quality of those goods or products.
 9. Advertising builds up reputation for the company goods and services

What is branding ? Explain merits and demerits of branding to consumers ?

Ans. 'Branding' on the other hand is the process of finding and fixing the means of identification. It is nothing but naming the product like naming a child. Products are children of manufacturers. Unlike human beings, products are not brought into world by accident. There is a conscious decision to give birth once, a product shapes, it needs an identity that is in the form of brand and recognized it is branding.

1. It assures quality and value: Whenever a product is distinguishable by means of brand, the consumer has an assurance of quality, consistency and a definite value. It is so because, a brand stands for a product quality, standard and value. A branded product is a quality product with right value for the money spent on it.
2. It evaluates status : Whenever a person uses a particular branded product, he has a feeling that he belongs to a special class of society. The brand is a prestige builder or status evaluator. In today's world of personal distinction, one is particular about the brand of product he or she uses - be it a scent or a dress material or a watch or a car. It is not the question of buying a car but say, 'Maruti -800' or 'Toyota' that matters for the prestige conscious individuals.
3. It saves time and effort: Good deal of time and energy can be saved in shopping for goods. If they are branded product renders product identification much easier and convincing. This is of particular importance in marketing of industrial goods. Even in case of consumer goods, it applies equally. The money value of time and efforts saved will mean a substantial consumer solace.
4. It gives trade and legal protection : Consumers find it easier and more buttressed to lodge complaints and make claims against those marketers of branded products in case their products fail to meet the declared claims of consumer satisfaction. Thus, consumers are provided with trade and legal protection against the unscrupulous and unfair trade practices.

Demerits to consumers

1. It creates confusion and chaos: Consumers are at sea when they are provided with too many brands of products in a product line-in the market. Consumers are confused and confounded when every brand says that it has the highest capacity to satisfy. The question is-If every brand is best-which one is the best?

2. It makes losing sight of better products: Brand respect helps in saving good deal of time and energy on the part of consumers in product selection and approval. At the same time, it deprives the consumer of other new brands of products which might be really better than the one saluted and accepted.

2. It hikes product prices: A really very popular brand commands universal respect demand. Such branded products are equally high priced so much so that these products go out of common man's reach and imagination. It is the premium price that makes this difference because, brand is quality, value, status and price.

Explain product packaging?

Ans. Packaging is the other side of the product identification. Traditionally the function of packaging was to protect goods. However, it is a promotional tool and major image builder contributing to the product success. It is a point of sale display that develops a favourable consumer appeal. 'Packaging' is a process that speaks of company's ability to contain economically man made or natural products for shipment, storage, sale or final use. It comprises the activities of wrapping or creating the product for performing the marketing functions more easily and economically. In simple words, packing is the act of housing the product in the packages or containers like tins, cans, bags, jars, bottles, boxes, kegs, casks, and the like. A 'package' is a wrapper or a container in which a product is enclosed, encased, housed or sealed. 'Packaging' on the other hand, deals with activities of planning and designing of different means of packing the products. What are clothes to human beings, so are the packages for the products. In the words of Professor William Stanton, "packaging is the general group of activities in designing the containers or wrappers for the products" package design is the unique combination of colours, graphics and symbols to distinguishing the products.

Explain the objectives of packaging.

Ans. Objectives of packaging Packaging is a market and marketing necessity, at least five objectives can be identified so far as product packaging is concerned.

These are-product protection-product identification product convenience-product profit generation and product promotion. These points can be outlined as given below.

1. Product protection

The primary objective of packaging is protection of products or contents. It is the package that keeps the contents fresh, clean and unspoilt by using moisture proof vermin-proof and damage resistant materials. It is powerful weapon to avoid shop-lifting, stealing in shops. This protection is given to the products from their birth till their death. Thus, product is protected against the possible theft, pilferage, leakage, spilling breakage, contamination, deterioration, evaporation and so-on.

2. Product identification The products available in a shop on shelves must be distinguishable for easy identification. One brand is to be compared and distinguished from another. Next to brand names, packaging is another easy and convenient method to identify the products of different producers or marketers. It is obvious that the packaging of one product is very much different from another. Thus, it becomes a means of easy identification. The size, the colour combinations, the graphics used in each package are unique that can be easily remembered and recalled.

3. Product convenience

A packaging aims at providing maximum convenience to the purchasers, producers and distributors alike. A nicely designed product package facilitates product shipping, storage, stocking, handling and display on the part of producers and distributors. It is caused by product use by consumers. The best examples of this kind are-tear-tape, pouring spouts, squeeze bottles, aerosol cans, flip-tops, pull-tubes, wrappers and the like. They increase consumer convenience to a great extent.

4. Product promotion

Product package is a powerful promotional tool. Packaging performs good many advertising functions. At least four are emphasizing.

A. Self advertising-Package design has supreme significance as it attracts consumers.

B. Point of purchase display- When we talk of display the two possibilities are- 'window' and 'counter' where the first does the work of attracting the consumers or prospects to 'get in' and the second one gives the comparison of 'competitive products' for consumer choice.

C. Media of advertising-the general appearance and the selling features created by the packaging techniques decide the product success and.

D. Product publicity- Free advertising is done through package- insert or flap advertising.

5. Product profit generation Adequate and proper packaging can be the cause for generating increased profits to the producers and distributors. Because of product density created by good packaging, it reduces costs in storage, transportation and handling. Further, the wastes that are common in marketing process can be minimised, if not eradicated Further, sound packaging is an effective tool of sale- promotion to contribute towards profit maximisation

All these factors are but to contribute towards with reduced costs and improved efficiency.



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8. Human Resource Management

What are Human resources?

Ans: The term Human resources may be defined as the Knowledge skills, creative abilities, talents and aptitudes of an organisation's work force, as well as the values, attitudes, approaches and beliefs of the individuals involved in the affairs of the organisation. It is the sum total or aggregate of inherent acquired knowledge and skills represented by the talents and aptitudes of the persons employed in an organisation. Humane sources are multidimensional in nature, people working in the organisation have different needs at different times. These needs may be physiological, social and phycological

Define personnel or Human resource management

Personnel management as an extension of general management, that of prompting and stimulating every employee to make his fullest contribution to the purpose of a business". "Personnel management is the recruitment, selection, development, utilization, compensation and motivation of human resources by the organisation"

Personnel management is the planning, organising, directing and controlling of the procurement, development, compensation, integration and maintenance and separation of human resources to the end that individual and societal objectives are accomplished".

This definition reveals that personnel or human resource (HR) management is that aspect of management which deals with the planning, organising, directing and controlling the personnel functions of the enterprise.

Mention the scope and activities of human resource management?

In order to achieve the above objectives, personnel / human resource management undertakes the following activities:

- (i) Human resource or manpower planning, i.e., determining the number and kinds of personnel required to fill various positions in the organisation..*
- (ii) Recruitment, selection and placement of personnel, i.e., employment function.*
- (ii) Training and development of employees for their efficient performance and growth.*
- (iv) Appraisal of performance of employees and taking corrective steps such as transfer from one job to another.*
- (v) Motivation of workforce by providing financial incentives and avenues of promotion.*
- (vi) Remuneration of employees. The employees must be given sufficient wages and fringe benefits to achieve higher standard of living and to motivate them to show higher productivity.*
- (vii) Social security and welfare of employees.*
- (viii) Review and audit of personnel policies, procedures and practices of the organisation.*

Define recruitment and mention the different sources of recruitment ?

"Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organisation". It is a linking activity that brings together those offering jobs and those seeking jobs.

"Recruitment is the development and maintenance of adequate manpower resources. It involves the creation of a pool of available labour upon whom the organisation can draw when it needs additional employees". Recruitment refers to the attempt of getting interested applicants and providing a pool of prospective employees so that the management can select the right person for the right job from this pool. Recruitment precedes the selection process, i.e., selection of right candidates for various positions in the organisation.

Recruitment is a positive process as it attracts suitable applicants to apply for available jobs. The process of recruitment; (i) Identifies the different sources of labour supply, (ii) assesses their validity (iii) chooses the most suitable source or sources, and (iv) invites applications from the prospective candidates for the vacant jobs.

The various sources of recruitment may be grouped into the following two categories:

- (1) Internal sources (recruitment from within the enterprise); and*
- (ii) External sources (recruitment from outside)*

RECRUITMENT (Searching sources of Labour)

Internal sources

(1) Transfer

(2) Promotion

External sources

(i) Recruitment of factory gate (ii) Casual callers

(iii) Advertisement

(iv) Employment agencies

(v) Management consultants

(vi) Educational institutions

(vii) Recommendation

(viii) Labor contractors

(ix) Telecasting

Explain external sources of recruitment?

The following external sources of recruitment are commonly used by the big enterprises.

(i) Direct recruitment

An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise specifying the details of the jobs available. It is also known as recruitment at factory gate. The practice of direct recruitment is generally followed for filling casual vacancies requiring unskilled workers. Such workers are known as casual or badly workers and they are paid remuneration on daily- wage basis. This method of recruitment is very cheap as it does not involve any cost of advertising vacancies.

(ii) Casual Callers Or Unsolicited Applications

The organisations which are regarded as good employers draws steady stream of unsolicited applications in their offices. This is a valuable sources of manpower. If adequate attention is paid to maintain pending application folders for various jobs, the personnel department may find the unsolicited applications useful in filling the vacancies whenever they arise. The merit of this source of recruitment is that it avoids the costs of recruitment workforce from other sources.

(iii) Media Advertisement

Advertisement in newspapers or trade and professional journals is generally used when qualified and experienced personnel are not available from other sources. Most of the senior positions in industry as well as commerce are filled by this method. The advantage of advertising is that more information about the organisation, job descriptions and job specifications can be given in advertisement to allow self screening by the prospective candidates.

(iv) Employment Agencies

Employment exchanges run by the Government are regarded as a good source of recruitment for unskilled, semi-skilled and skilled operative jobs. In some cases, compulsory notification of vacancies to the employment exchange is required by law. Thus, the employment exchanges bring the job givers in contact with the job seekers.

(v) Management consultants

Management consultancy firms help the organisations to recruit technical, professional and managerial personnel. They specialize in middle level and top level executive placements. They maintain data bank of persons with different qualifications and skills and even advertise the jobs on behalf their clients to recruit right type of personnel.

(vi) Educational Institutions or campus Recruitment

Jobs in commerce and Industry have become increasing technical and complex to the point where school and college degrees are widely required. Recruitment from educational institutions is a well-established practice of thousands of business and other organisations. It is also known as campus recruitment. Reputed industrial houses which require management trainees send their officials to campuses of various management institutes for picking up talented candidates doing MBA.

(vii) Recommendations

Applicants introduced by friends and relatives may prove to be a good source of recruitment. In fact, Many employers prefer to take such persons because something about their background is known. When a present employee or a business friend recommends some one for a job, a type of preliminary screening is done and the person is placed on a job.

(viii) Labour Contractors

Labour contractors are an important source of recruitment in some industries in India. Workers are recruited through labour contractors who are themselves employees of the organisation. This disadvantages of this system is that if the contractor leaves the organisation, all the workers employed through him will also leave.

(ix) Telecasting

The practice of telecasting of vacant posts over T.V. (Doordarshan and other channels) is gaining importance these days. Special programs like 'job watch', 'Youth pulse', 'Employment News', etc. over the T.V. Have become quite popular in recruitment for various types of jobs.

Explain the different methods of selection

The procedure of selection will vary from organisation to organisation and even from department within the same organisation according to the kinds of the jobs to be filled. The numbers of steps in the procedure and the sequence of steps also varies. However, the main steps could be incorporated in the selection procedure are as under:

- (1) Preliminary interview. (2) Receiving applications.
- (3) Screening of applications. (4) Employment test.
- (5) Employment interview. (6) Physical examination
- (7) Checking references. (8) Final selection

(1) Preliminary Interview: In most of the organisations, the selection program begins with preliminary interview or screening. The preliminary interview is generally brief and does job of eliminating the totally unsuitable candidates. The preliminary interview offers advantages not only to the organisation, but also to the applicants. If an applicant is eliminated at this stage, the organisation will be saved from the expenses of processing him through the remaining steps of the selection procedure and the unsuitable candidates will be saved from the trouble of passing through the long procedure

2. Receiving Applications : Whenever there is a vacancy, it is advertised or enquiries are made from the suitable sources, and applications are received from the candidates. Standard application forms may be drawn up for different jobs and supplied to the candidates on request. The application form is useful for several reasons. It gives a preliminary idea the candidate to the interviewer and helps him in formulating questions to have more information about the candidate. The written information about age, qualifications, experience, etc. may prove to be of greater value to the interviewers.

3. Screening of Applications: After the applications are received, they are screened by a screening committee and a list is prepared of the candidates to be interviewed. Applicants may be called for interview on some specific criteria like sex, desired age group, experience and qualifications. The number of candidates to be called for interview is normally five to seven times the number of posts to be filled up. The screened applications are then reviewed by the personnel manager and interview letters are despatched by registered post or under certificate of post.

4. *Employment Tests: Employment tests which are listed below*

- (i) *Intelligence tests.*
- (ii) *Aptitude tests*
- (iii) *Trade or proficiency tests.*
- (iv) *Interest tests.*
- (v) *Personality tests*

Employment tests are widely used for judging the applicant's suitability for the job. They bring out the qualities and weaknesses of individuals which could be analysed before offering them jobs. The tests must be designed properly. If they are biased, they will not be good indicators of one's knowledge and skills. Selections based on such tests will be faulty. That is why, tests should not be relied upon fully.

5. *Checking References : A referee is potentially an important source of information about a candidate's ability and person he holds a responsible position in some organisation or has been late's ability and personality if the boss or employer of the candidate. Prior to final selection, the employer normally makes an investigation on the references supplied by the applicant and undertakes. More or less a thorough search into the candidate's past employment, education, personal reputation, financial condition, police record, etc.*

6. *Medical Examination : The pre-employment physical examination or medical test of a candidate is an important step in the selection procedure. Though in the suggested selection procedure, medical test is located near the end, but this sequence need not be rigid. The organisations may place the medical examination relatively early in process. So as to avoid time and expenditure to be incurred on the selection of medically unfit persons.*

A proper medical examination will ensure higher standard of health and physical fitness of the employees and will reduce the rates of accident, labour turnover, and absenteeism. The advantages of physical examination are: (i) it serves to ascertain the applicant's physical capability to meet the job requirements; (ii) It serves to protect the organisation against the unwarranted claims under workers' compensation laws or against law suits for damages; and (iii) It helps to prevent communicable diseases entering the organisation.

7. *Final selection and Appointment Letter : After a candidate has cleared all the hurdles in the selection procedure, he is formally appointed by issuing him an appointment letter or by concluding with him a service agreement. Generally, the candidates appointed on permanent basis because it is considered are no better to try them for a few months on the job itself.*

Define the term training briefly.

Ans. Training is an organised activity for increasing the knowledge and skills of people for a definite purpose. It involves systematic procedures for transferring technical know-how to the employees so as to increase their knowledge and skills for doing specific jobs with proficiency. In other words, the trainees acquire technical knowledge, skills and problem solving ability by undergoing the training program.

"Training is the act of increasing the knowledge and skills of an employee for doing a particular job. Training involves the development of skills that are usually necessary to perform a specific job. Its purpose is to achieve a change in the behaviour of those trained and to enable them to do their jobs better. Training makes newly appointed workers fully productive in the minimum of time. Training is equally necessary for the old employees when- ever new machines and equipment are introduced and /or there is a change in the techniques of doing the things. In fact, training is a continuous process. It does not stop anywhere. The managers are continuously engaged in training their subordinates. They should ensure that any training program should attempt to bring about positive changes in the (i) knowledge (ii) skills and (iii) attitudes of the workers. "The purpose of training is to bring about improvement in the performance of work. It includes the learning of such techniques as are required for the better performance of definite tasks"

What is the purpose of training?

Ans. The purpose of training is to bring about improvement in the performance of workers. It includes the learning of such techniques as are required for the intelligence performance of definite tasks. It also comprehends the ability to think clearly about problems arising out of the job and its responsibilities and to exercise sound judgement in making decisions effect is the work. Lastly, it includes those mental attitudes and habits which are covered under the general term 'morale

Mention the objectives of training?

Ans. The objectives of training as follows.

- (1) To increase the knowledge of workers in doing specific jobs.
- (2) To impart new skills among the workers systematically so they learn quickly
- (3) To bring about change in the attitudes of the workers towards fellow workers, supervisor and the organisation.
- (4) To improve the overall performance of the organisation
- (5) To make the workers handle materials, machine management efficiently and thus to check wastage of time and materials, machine and equip-
- (6) To prepare workers for higher jobs by developing skills in them.

Differentiate between training and Development ?

-Training

- (1) Training means learning skills and knowledge for doing a particular job. It increases job skills.
- (2) The term 'training' is generally used to denote imparting specific skills among operative workers and employee.
- (3) Training is concerned with maintaining and improving current job performance thus it has a short term perspective.
- (4) Training is job-centered in nature.
- (5) The role of trainer or supervisor is very important in training.

Development

- (1) Development means the growth of an employee in all respects. It shapes attitudes.
- (2) The term 'development' is associated with the overall growth of the executives.
- (3) Executive Development seeks to develop competence and skills for future performance thus, it has long term perspective.
- (4) Development is career-centered in nature.
- (6) All development is self-development. The executive has to be internally motivated for self development.

Explain the benefits of training to employees.

The major benefits of training are discussed below:

- (i) Quick learning : Training helps to reduce the learning time to reach the acceptable level of performance. The employees need not learn by observing others and waste time if the formal training program exist is in the organisation.
- (ii) Higher productivity : Training increase the skill of the new employee in the performance of a particular job an increase in skill usually helps increase in both quantity and quality of output.
- (i) Standardisation of procedures : With the help of training the best available methods of performing the work can be start and taught to all employees. Standardisation will make high levels of performance rule rather than exception
- (iv) Less supervision : If the employees are given adequate training, the need of supervision will be lessened. Training does not eliminate the need for supervision, but it reduces the need for de. failed and constant supervision.
- (v) Economical operations : Trained personnel will be able to make better and economical use of materials and equipment wastage will also be low.
- (vi) Higher morale The moral of employees is increased if they are given proper training. A good training program will mould employees' attitudes towards organisational activities and generate better cooperation and greater loyalty.

(vii) *Preparation of future managers* : When totally new skills are required by an organisation, it has to face great difficulties in the selection process. Training can be used in spotting out promising men and preparing them for promotion.

(viii) *Better management*: A manager can make use of training to manage in a better way. To him training the employees can assist improve his planning, organizing, directing and controlling.

Training helps the employees or worker in the following ways.

(i) *Confidence*: Training creates a feeling of confidence in the minds of workers. It gives a feeling of safety and security to them at the workplace

(ii) *New skills*:- training develops skills which serve as a valuable personal asset of a worker. It remains permanently with the worker himself.

(iii) *Promotion*:- Training provides opportunity for a quick promotion and self development.

(iv) *Higher Earnings* : Training helps in earning higher remuneration and other monetary benefits to the workers as their productivity is increased

(v) *Adaptability*: Training develops adaptability among workers. They don't worry when work procedures and methods are changed.

(vi) *Increased safety* Trained workers handle the machines safely. They also know the use of various safety devices in the factory. Thus, they are less prone to accidents.

What is performance appraisal?

Ans: Performance appraisal goes by various names such as performance evaluation, progress rating, merit rating, merit evaluation, etc. But in this chapter, we shall use the terms performance appraisal and merit rating to denote the appraisal of the performance of the employees of an organisation.

Performance appraisal means systematic evaluation of the personality and performance of each employee by his supervisor or some other person trained in the techniques of merit rating. It employs various rating techniques for comparing individual employees in a work group, in terms of personal qualities or deficiencies and the requirements of their respective jobs.

"Performance appraisal includes all formal procedures used to evaluate personalities and contributions and potentials of group members in a working organisation. It is a continuous process to secure information necessary for making correct and objective decisions on employees"

INSTITUTE OF TEXTILE
TECHNOLOGY, CHOUWAR ODISHA

9. Industrial Sickness

Meaning of Industrial Sickness:

The strength of the industrial sector, by and large, determines the soundness of the economy.

A developing economy like India cannot afford the growing sickness in industries as it results in a colossal wastage of physical, financial and human resources. In the presence of the resource crunch, the industrial sickness becomes all the more an alarming problem. Industrial sickness usually refers to a situation when an industrial firm performs poorly, incurs losses for several years and often defaults in its debt repayment obligations.

In case of small scale industrial unit (SSI), it is regarded as a sick unit if it has:

- (i) Incurred a cash loss in the previous accounting year and was likely to continue with losses in the current accounting year and further its cumulative cash losses are equal to 50 per cent or more of its peak net worth during the last five years and*
- (ii) It has defaulted in meeting four consecutive installments of interest.*

According to the Development Commissioner, a small scale industrial unit (SSI) becomes sick if its:

- (a) Capacity utilisation is less than 50 per cent of the highest achieved during the preceding five years (incipient sickness),*
- (b) Net worth has been eroded by more than 50 per cent; and*
- (c) The unit has remained closed for a period more than six months.*

On the basis of the above definitions of a sick industrial unit, it emerges that the symptoms of the sickness of an industrial unit manifest themselves in the form of unbalanced financial structure, erosion of more than 50 per cent of its net worth, absence of the generation of internal surplus, under- utilisation of capacity and survival of the unit upon frequent infusion of funds.

Nature and Causes of Industrial Sickness:

Competition breeds efficiency but adversely affects weak industrial units and makes them sick. The clear directional changes since 1982-83 towards liberalisation of industrial licensing policies, foreign collaboration approvals, the concept of minimum-size plants are welcome from consumers' point of view. But the weaker units have to pay the price. The inevitable cost of achieving competitive efficiency is that the weak must be allowed to fade. But the country cannot allow this to happen.

The Sick Industrial Companies (Special Provisions) Act, 1985, was enacted to help and revive the sick units. The substantive portions of the Act came into force from May 15, 1987. The Act provided for setting up of a quasi-judicial body designated as the Board for Industrial and Financial Reconstruction (BIFR) to deal effectively with the problem of sick industrial companies. The Reserve Bank of India has issued guidelines to banks to strengthen the monitoring system and to arrest industrial sickness at the incipient stage.

Nature of Sickness:

Sickness in industry can be classified into:

- (a) Genuine sickness which is beyond the control of the promoters of the concern despite the sincere efforts by them,*
- (b) Incipient sickness due to basic non-viability of the project, and*
- (c) Induced sickness which is due to the managerial incompetence and wrong policies pursued deliberately for want of genuine stake.*

This is a man-made sickness in which some unscrupulous promoters adopt fraudulent practices to start a concern and to get away with the money obtained by fraud and deceit.

The FICCI study entitled 'Industrial Sickness — Dimensions and Perspectives' says that the causes of sickness are both internal and external, often operating in combination. External factors are government policies on pricing, duties, taxes, high interest rates, taxes on profit, slackness in demand, sluggishness in export markets, high labour cost, inadequate availability of inputs, lack of infrastructure and the like.

The internal factors which contribute to sickness are wrong planning in relation to location, technology, capital cost, technological obsolescence, management deficiencies and industrial unrest. We explain below these external and internal factors in some detail.

External Factors:

The following are some of the external factors causing industrial sickness in India:

(i) General Recessionary Trend:

Sometimes a general depression hits industrial units. This is reflected in lack of demand for industrial products in general. An overall slowdown in economic activities affects the performance of individual projects. Improper demand estimation for the products to project lands the industrial units in difficulties.

(ii) High Prices of Inputs:

When the costs of manufacture are high and sales realisation low, the industrial unit cannot stand in the market. This happens when the prices of inputs such as price of fuel such as petroleum during energy crisis goes up whereas the competitive forces keep down the prices of the products.

(iii) Non-Availability of Raw Materials:

When the supplies of raw materials are not available regularly or in good quality, the industrial units are bound to be in trouble. This often occurs in case of supply of imported raw materials.

(iv) Changes in Government Policies:

The industrial sickness is also caused by certain changes in policy designs of the government. These frequent changes affect the long-term production, financial and marketing planning of an industrial unit. Changes in Government policies regarding imports, industrial licensing, taxation can make viable units sick. For example, liberal import policy since 1991 has rendered many small-scale industrial units sick.

(v) Infrastructure Bottlenecks:

Often the infrastructure difficulty is responsible for industrial sickness. No industrial unit can survive prolonged transport and power bottlenecks.

Internal Factors:

The following are the important internal factors which are often responsible for industrial sickness:

(i) Project Appraisal Deficiencies:

The industrial unit becomes sick when the unit has been launched without a comprehensive appraisal of economic, financial and technical viabilities of the project.

(ii) Industrial Unrest and Lack of Employee Motivation:

When there is labour discontent, no industrial unit can function smoothly and efficiently. When labour lacks motivation no good results can be expected and this results in sickness and non-viability of several industrial units.

(iii) Wrong Choice of Technology:

If the promoters use wrong technology, results are bound to be unsatisfactory. Many industrial units, especially in the small-scale sector, do not seek professional guidance in installing the correct machinery and plant. If the machinery and plant installed turn out to be defective and unsuitable, they are bound to suffer losses and become sick and non-viable.

(iv) Marketing Problems:

The industrial unit becomes sick due to product obsolescence and market saturation. The industrial unit becomes sick when its product-mix is not attuned to the consumers' demand.

(v) Wrong Location:

If the location of an industrial unit happens to be defective either from the point of the market or the supply of inputs, it is bound to experience insurmountable difficulties.

(vi) Lack of Finance:

Inadequate financial arrangements or in the absence of timely financial aid an industrial unit is bound to come to grief. It will not be able to withstand operational losses.

(vii) Improper Capital Structure:

If capital structure proves to be unsound or unsuitable especially on account of delayed construction or operation, it will result in cost overruns or unduly large borrowing and create financial trouble for the unit concerned.

(viii) Management Deficiencies:

The biggest cause of industrial sickness is the managerial inefficiency. Lack of professional management or experienced management and the existence of hereditary management is an important cause of industrial sickness. Inefficient management results in inability to perceive things in proper perspective devoid of routine considerations. Inefficient management is also unable to build up good team and inspire confidence for an organised collective effort and takes autocratic and high-handed decisions.

(ix) Voluntary Sickness:

There is some sickness which is voluntarily invited by the entrepreneurs for various motives like getting government concession or aid from financial institutions. Thus industrial sickness cannot be attributed to any single, or simple cause but may be the result of a combination of number of allied causes.

An analysis of 637 large-scale units identified that deficiency in management was responsible for 52 per cent cases of sickness. While labour troubles caused sickness only in 2 per cent of the industries, market recession and environmental factors came second with 23 per cent.

The other causes were technical factors and faulty initial planning (14 per cent) and infrastructural factors such as power cuts and shortage of critical inputs (9 per cent). Of the 637 large units, 350 could be put back on the track. Of these, 221 units, with the outstanding credit of Rs. 1,125.06 crores were put under the nursing programme.

Suggestions for Rehabilitation of Sick Units:

The rehabilitation of sick units or restoring them to normal health is a matter of great urgency in view of the serious social, economic and political consequences of industrial illness.

The following measures may be suggested:

(i) Cooperation between Term-Lending Institutions and Commercial Banks:

Since commercial banks provide working capital, they are in a position to know about the working of industrial concern. But assistance from term-lending institutions is also essential for rescue operations.

(ii) Coordination between Various Government Agencies:

All government agencies, both regulatory and promotional, must join hands to restore sick units to health.

(iii) Full cooperation from various suppliers, unsecured creditors and other stakeholders, particularly from the employees, is also essential to take the concern out of the difficulties in which it is involved.

(iv) Willing Cooperation and Clear Understanding with the Project Promoters:

Generally there is a lack of trust and confidence among the various interests concerned. It is found that government agencies and dealing institutions are more worried about their money and are anxious to recover them instead of curing of the health of the sick units.

(v) Checking Over-Valuation of Inventories:

The banks should verify on a regular basis the valuation of inventories both in terms of quantity and price. This would prevent over-borrowing on the hypothecation of inventories.

(vi) Marketing:

There should be well organised and scientific marketing by the project promoters otherwise launching of a project will be a leap in the dark. Good marketing arrangements will prevent industrial sickness.

(vii) Recovery of Outstanding:

Every effort should be made to realize outstanding advances so that the concern is able to gather funds to avoid sickness.

(viii) Modernisation of Machinery:

If the sick unit is to be restored to health, old and obsolete machinery and outdated technology should be discarded at the earliest.

(ix) Improving Labour Relations:

Restrictive labour and unreasonable trade unions are great obstacles. Improving labour relations will go a long way in curing industrial sickness.

(x) Efficient Management:

If necessary inefficient management should be replaced. The key to industrial health lies in alert and efficient management. The management should show a calm approach, patience and perseverance, courage and ability to steer in bad weather.

(xi) Performance Incentives:

It is necessary to offer performance incentives to the executives and the workers to induce them to put in their best efforts. This will be quite helpful in curing industrial sickness.

(xii) Sympathetic Government Attitude:

During periods of industrial illness the government agencies should adopt a sympathetic and understanding attitude so that the problem is not aggravated but moves towards a solution instead.

(xiii) Austerity and Economy:

Austerity and disciplines should be enforced at all levels. Every effort should be made in raising funds internally through the sale of excess assets, surplus machinery, etc. Uncalled for tours, lavish entertainments, unnecessary personal expenses should be ruthlessly cut down.

REMEDIAL MEASURES TO OVERCOME SICKNESS

Some of the remedial measures to curb and overcome sickness in industrial undertakings are as follows:

1. IDENTIFYING SICKNESS AT INITIAL STAGE

Sickness in Small Scale Industries are not a sudden phenomenon but it is a gradual process taking 5 to 7 years eroding the health of a unit beyond cure. Therefore, the identification and detection of the sickness at incipient stage is the first and foremost measure to detect and reduce industrial sickness. Sickness must be identified at initial stage.

Major Causes of Sickness in Small Scale Industries and Remedies

MAJOR CAUSES OF SICKNESS IN SMALL SCALE INDUSTRIES

Small Scale Industries (SSIs) play vital role in the economic development of a country. Some SSIs turn out to be sick due to various reasons. Some of the major causes for sickness in small scale industries are dealt in brief.

Sickness in SSI – Causes and Remedies

1. INADEQUACY OF WORKING CAPITAL

Some units turn out sick due to inadequacy of working capital. There may exist delay in sanction of working capital by financial institutions. Industrial units find it difficult to meet out day to day operations due to the time gap between sanction of term loan and working capital needs. Shortage of Working Capital is one of the main reasons for sickness.

2. NON-AVAILABILITY OF CREDIT

Sickness in SSI sector may be attributed to non-availability of credit. Delay in getting loans may result in stoppage of work or lead to production loss. Low production may lead to reduced sales which in turn may lead to financial loss.

3. POOR AND OBSOLETE TECHNOLOGY

Some industrial units use technology which is outdated. Out dated technology may affect the quantity and quality of production. This results in production loss and reduces demand for the goods.

4. NON AVAILABILITY OF RAW MATERIAL

Some units may require raw material which are scarcely available. Sometimes, the raw material required by the unit may not be available in abundance. Hence, this affects the production and the sales of the goods. If the raw material is not abundantly available, then the industrial units have to spend a large amount of money to buy them. This may result in financial loss.

5. MARKETING PROBLEMS

Sometimes, the industrial units may not know as to how to create demand for the products. Lack of marketing knowledge may result in less demand for the goods. Similarly, there may be less demand for the goods produced by the SSI due to competition or change in the taste of the buyers.

For example, lot of units producing dyes and ceramics have been found sick in Gujarat and Tirupur.

6. ERRATIC POWER SUPPLY

Shortage in power supply affects the industries. This results in delay in production of goods and leads to financial losses.

7. LABOUR PROBLEMS

The relationship between the employer and the employees may not be cordial. Some of the labour problems such as strike, lay off, lock out may lead to industrial sickness.

8. POOR MANAGEMENT

The entrepreneur must be a good planner, organizer and a manager. If the Industrial Unit promoters lack managerial skills, then it may lead to several problems.

9. INADEQUATE ATTENTION TO R&D

Industries have to allocate a part of money in research and development to survive and compete with competitors. Failure to focus on the above may lead to industrial sickness

10. DIVERSION OF RESOURCES

If the employer utilizes the funds obtained for the business for any personal purposes, then diversion of funds will lead to industrial sickness. The funds used for personal purposes cannot be regenerated and hence it may result in delay in payment of loans or financial crisis for the borrower of the loan.

11. GLOBALIZATION

Small scale industrial units may find it very difficult to compete with large scale industries and foreign competitors. Inability of the units to face growing competition due to liberalization and globalization may lead to industrial sickness.

12. DISPUTE AMONG PARTNERS

There may arise dispute between the partners or family members running the unit. This results in stoppage of work and leads to industrial sickness.

13. OVERAMBITIOUS PROJECTS

The project may not be technically feasible, such an overambitious project is one of the reasons for industrial sickness.

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2. FINANCIAL ASSISTANCE

Lending agencies need to relax their lengthy process and other norms for extending credit to the SSIs. To combat the incidence of sickness financial institutions should grant credit without delay to SSI sector.

A number of initiatives can be undertaken to overcome credit problems such as:

- 1. Increasing Working capital limit.*
- 2. Enhancing the powers of bank managers of specialized bank branches in offering credit to SSI.*
- 3. Strengthening the mechanism for discounting bills.*
- 4. Reduced rate of interest.*

These measures would improve the flow of credit and keep a check on the incidence of sickness.

3. IMPROVING INFRASTRUCTURE

Infrastructure facilities can be improved by setting up industrial estates. Common testing centres etc., infrastructural problems can be solved by improving the roadways, waterways, establishing telecommunication systems.

4. TECHNOLOGY UP-GRADATION

Funds may be provided by the financial institutions for adoption of advanced technology. Similarly, some sort of training may be provided for use of the latest technology to overcome technological problems. Technological up-gradation can help to overcome technological obsolescence.

5. MARKETING ASSISTANCE

Marketing assistance may be provided to entrepreneurs for marketing the goods produced by them. Government must help to market the goods. Government and Non Government Organizations (N.G.Os) can come forward for marketing the goods produced by the SSI sector. The problem of poor marketing of the products can be solved by coordinated efforts of entrepreneurs and promotional agencies.

6. LIQUIDATION

It is better to wind up the business when there is no possibility to revive the unit.

7. GOVERNMENT INTERVENTIONS

Interventions must be made by the government to prevent sickness. Periodic review of financial statements can help to identify and prevent sickness at initial stage.

8. TRAINING

A proper environment must be created where an entrepreneur will be educated and will have a proper knowledge, skill and experience about internal and external environment of business to compete with large-scale industries and multinational companies.

9. REHABILITATION

Potentially viable sick units should be dealt well for the purpose of rehabilitation. Rehabilitation is a remedy considered for industrial units, which have already become sick and for the units that are on the verge of collapse.

10. Industrial Legislation

IMPORTANT CONCEPTS AND DEFINITIONS

(a) **Factory** means any premises including the precincts thereof:-

i) Wherein ten or more workers are working, or were working on any day of the preceding twelve months and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on, or

ii) Wherein twenty or more workers are working or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on.

(b) **Worker** means a person (employed directly or through any agency including a contractor) with or without the knowledge of the principal employer, whether for remuneration or not in any manufacturing process, or in cleaning any part of the machinery or premises used for a manufacturing process, or in any kind of work incidental to or connected with the manufacturing process, or the subject of manufacturing process (but does not include any member of the armed forces of the Union).

(c) **Manufacturing process** means any process for: -

i) Making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal or

ii) Pumping oil, water, sewage or any other substance or

iii) Generating, transforming or transmitting power or

iv) Composing types for printing, printing by letter press, lithography, photogravure or other similar process or book binding,

v) Constructing, reconstructing, repairing, refitting, finishing or breaking up ships or vessels,

vi) Preserving or storing any article in cold storage.

(d) **Hazardous Process** means any process or activity in relation to an industry specified in the First Schedule where, unless special care is taken, raw materials used therein or the intermediate or finished products, by-products, wastes or effluents thereof would cause material impairment of the health of the persons engaged in or connected therewith, or results in the pollution of the general environment. Provided that the State Government may, by notification in the Official Gazette, amend the First Schedule by way of addition, omission or variation of any industry specified in the said Schedule.

(e) **Fatal Injury** means injury resulting from industrial accident which caused death to the worker.

(f) **Non-Fatal Injury** means injury resulting from industrial accident, which prevented injured worker from attending to work for a period of 48 hours or more immediately following the injuries.

(g) **Adult** means a person who has completed his eighteenth year of age.

(h) **Adolescent** means a person who has completed his fifteenth year of age but has not completed his eighteenth year.

(i) **Child** means a person who has not completed his fifteenth year of age.

(j) **Average Daily Number of Workers Employed** The average daily number of workers employed is calculated by dividing the aggregate number of attendance on working days (that is, mandays worked) by the number of working days in the year. Attendance on separate shifts (e.g. night and day shifts) should be counted separately. Days on which the factory was closed for whatever cause and days on

which the manufacturing process was not carried on should not be treated as working days. Partial attendance for less than half a shift on a working day should be ignored, while attendance for half a shift or more on such day should be treated as full attendance.

(k) Mandays Worked Mandays Worked means total Number of attendance during a calendar year.

(l) Average Number of Hours Worked per week The Average number of hours worked per week means the total actual hours worked by all workers during the year excluding the rest intervals but including overtime worked, divided by the product of average number of workers employed daily in the factory and 52 weeks. In case the factory has not worked for the whole year, the number of weeks during which the factory worked should be used in place of 52.

RELEVANT PROVISIONS UNDER THE ACT

ANNUAL LEAVE WITH WAGES

The Act provides that every worker who has worked for a period of at least 240 days during a calendar year shall be allowed during the subsequent year leave with wages at the rate of (a) one day for every twenty days worked in the case of adults, and (b) one day for every fifteen days worked in the case of children. The leave is exclusive of holidays that occur during or at either end of the leave period. Provision is also made for proportionate leave with wages for a worker who is discharged or dismissed before he has rendered 240 days service. There is also a provision that any days of lay off by agreement or contract or as permissible under the Standing Orders; maternity leave period for female workers for days not exceeding 12 weeks and leave earned in the previous year in which leave is enjoyed may be counted as days on which workers have worked in a factory for the purpose of computation of period of 240 days or more.

SAFETY

To ensure safety of the workers, the Act has provided several measures such as compulsory fencing of machines of all sorts. No person should be employed in any factory to lift, carry or move any load so heavy as to be likely to cause him injury. If it appears to the Inspector that any building or part of a building or any part of the ways, machinery or plant in a factory is in a condition that it is dangerous to human life or safety, he may serve on the Manager of the factory, an order in writing, specifying the measures which in his opinion should be adopted and requiring them to be carried out before a stipulated date.

AMBULANCE ROOM

If the factory employs more than 500 workers, an ambulance room in the charge of such medical and nursing staff as prescribed shall be provided and maintained.

CANTEENS, SHELTERS OR REST ROOMS AND CRECHES

Canteens are to be provided in factories employing over 250 workers and lunch rooms, shelters and rest rooms in those employing more than 150 workers. In every factory wherein more than 30 women workers are employed, there shall be provided and maintained a suitable room or rooms for the use of children under the age of six years of such women.

Health Measures and Safety Provisions as per Factories Act, 1948

- Section 11: Cleanliness in every factory
- Section 12: Disposal of effluents and wastes
- Section 13: Ventilation and Temperature
- Section 14: Dust and Fume
- Section 15: Artificial Humidification
- Section 16: Overcrowding

- *Section 17: Lighting*
- *Section 18: Drinking Water*

Section 11: Cleanliness in Every Factory

Under Section 11, every factory need to keep itself clean and free from effluvia arising from any drain, privy or other nuisance, and in particular-

- *Accumulation of dirt and refuse should be removed daily by any effective method from the floors of workrooms and from staircases and passages and disposed of in a suitable and efficient manner.*
- *In case the floor is subject to become wet during the working time, then they should take proper drainage process or steps.*
- *Clean the worker's floor every week with proper disinfectant or any other effective method of cleaning.*
- *Paint or repaint walls, ceilings, and staircases of the factory once in every 5 years.*
- *Repaint the walls once in every 3 years in case of washable water paints.*
- *Paint and varnish all doors and window-frames and other wooden or metallic framework and shutters at least once in a period of 5 years.*

Special Point on Health Measures

If in view of the nature of the operations carried on in a factory or class or description of factories or any part of a factory or class or description of factories, it is not possible for the occupier to comply with all or any of the provisions of sub-section (1), the State Government may by order exempt such factory or class or description of factories or part from any of the provisions of that sub-section and specify alternative methods for keeping the factory in a clean state.

Section 12: Disposal of Effluents and Wastes

Under this section following things should be considered:

- (a) It is necessary for the factories to arrange proper and effective waste treatment and its disposal.*
- (b) The State Government may make rules prescribing the arrangements for the disposal and treatment of waste and effluents.*

Section 13: Ventilation and Temperature

This section states:

- *Effective and suitable provisions should be made in every factory for securing and maintaining in every workroom proper ventilation by circulation of fresh air. It also involves providing an adequate temperature at the workplace. For this, they should select the material of the walls accordingly.*
- *The State Government may prescribe a standard of adequate ventilation and reasonable temperature for any factory or class or description of factories.*
- *Lastly, if it appears to the Chief Inspector that excessively high temperature in any factory can be reduced by the adoption of suitable measures, he can order them to use such a method.*

Section 14: Dust and Fume

This section states that:

- *If dust and fume release in the manufacturing process of a factory then they should take effective measures to prevent its inhalation and accumulation in the workplace. For this, they should use proper exhaust appliances in the workplace.*
- *In any factory, no stationary internal combustion engine shall be operated unless the exhaust is conducted into the open air.*

Section 15: Artificial Humidification

1. In respect of all factories in which the humidity of the air artificially increases, the State Government may make rules,-

- *Firstly, prescribing standards of humidification;*
- *Secondly, regulating the methods used for artificially increasing the humidity of the air;*
- *directing tests for determining the humidity of the air for correct carrying out and recording.*
- *Lastly, prescribing methods for securing adequate ventilation and cooling of the air in the workrooms.*

2. In any factory in which the humidity of the air artificially increases, they should purify the water (drinking water) before the supply.

Learn more about Allied Provisions Act 1948 here in detail.

Section 16: Overcrowding

This section states:

- *Firstly, no room in any factory shall be overcrowded to an extent injurious to the health of the workers employed therein.*
- *Secondly, a factory built after the commencement of this Act at least 14.2 cubic meters of space for every worker employed therein, and for the purposes of this subsection, no account shall be taken of any space which is more than 4.2 meters above the level of the floor of the room.*
- *If the Chief Inspector by order in writing, may or may not post a notice specifying the maximum number of workers who may be employed in the room.*

Section 17: Lighting

This section states:

Firstly, There should be proper lighting in all the places of the factory from where the workers of the factory pass.

In every factory, effective provision shall, so far as is practicable, be made for the prevention of-

- *glare, either directly from a source of light or by reflection from a smooth or polished surface;*
- *the formation of shadows to such an extent as to cause eye-strain or the risk of accident to any worker.*

Section 18: Drinking Water

This section states that in every factory, there should be proper arrangements for a sufficient supply of wholesome drinking water and shall be legibly marked as "drinking water".

Section 19: Latrines and Urinals

This section states that every factory should make arrangements of latrine and urinals for the employees and the rules are laid down by the State Government in this behalf.

Section 20: Spittoons

There should be a sufficient number of spittoons in the factories for the employees and they should be in clean and hygienic condition according to this law

Mention the duties of factor inspects.

Ans. The duties of factory inspector are

- (i) Such an inspector may examine or make enquiry to ascertain whether the provisions of this act are being observed.*
- (ii) Inspector may enter, inspect or search any factory premises and supervise the payment of wages for the purpose of carrying out the objects of the Act.*
- (iii) The inspector can seize such registers or other documents relevant in respect of an offence under this Act.*
- (iv) To enter at all reasonable hours, any premises for examining registers, records of wages etc*
- (v) To examine any persons*
- (vi) To seize relevant records in respect of an office.*

Powers of Factory Inspectors

Subject to any rules made in this behalf, an Inspector may, within the local limits for which he is appointed,-

- (a) enter, with such assistants, being persons in the service of the government, or any local or other public authority, ⁴[or with an expert] as he thinks fit, any place which is used, or which he has reason to believe is used, as a factory;*
- (b) make examination of the premises, plant, machinery, article or substance;*
- (c) inquire into any accident or dangerous occurrence, whether resulting in bodily injury, disability or not, and take on the spot or otherwise statements of any person which he may consider necessary for such inquiry;*
- (d) require the production of any prescribed register or any other document relating to the factory;*
- (e) seize, or take copies of, any register, record or other document or any portion thereof as he may consider necessary in respect of any offence under this Act, which he has reason to believe, has been committed;*
- (f) direct the occupier that any premises or any part thereof, or anything lying therein, shall be left undisturbed (whether generally or in particular respects) for so long as is necessary for the purpose of any examination under clause (b);*
- (g) take measurements and photographs and make such recordings as he considers necessary for the purpose of any examination under clause (b), taking with him any necessary instrument or equipment;*
- (h) in case of any article or substance found in any premises, being an article or substance which appears to him as having caused or is likely to cause danger to the health or safety of the workers, direct it to be dismantled or subject it to any process or test (but not so as to damage or destroy it unless the same is, in the circumstances necessary, for carrying out the purposes of this Act), and take possession of any such article or substance or a part thereof, and detain it for so long as is necessary for such examination;*



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Entrepreneurship And Management

1. _____ actions by an entrepreneur is most likely to contribute to creative destruction.

- A. Development of a new product
- B. Take-over of a competitor
- C. Issuing shares
- D. Development of a new product

Answer - Click Here:

D

2. The resistance of employees in an organization against flexibility, growth, and diversification can be overcome by developing _____.

- A. Entrepreneurship
- B. Managerial domain
- C. Intrapreneurship
- D. Administrative domain

Answer - Click Here:

C

3. _____ shows the process of creating something new.

- A. Innovation
- B. Business model
- C. Modeling
- D. Creative flexibility

Answer - Click Here:

A

4. Which one of the following is an advantage of the small firm in the innovation process?

- A. Ability of the entrepreneur to carry out multiple tasks
- B. Ability to raise finance
- C. Ability to carry out R&D
- D. Ability of the entrepreneur to act on new ideas or product development

Answer - Click Here:

D

5. The goals should be _____ for the success of business plan.

- A. Generalized
- B. Specific

SKN, ITT CDR

- C. Limitless
- D. Imaginary

Answer - Click Here:

B

6. _____ gives suggestions for new product and also help to market new products.

- A. Existing products and services
- B. Consumers
- C. Federal government
- D. Distribution channels

Answer - Click Here:

7. External links may provide incentives to _____.

- A. Attend business exhibitions
- B. Introduce new working practices
- C. Introduce improvements to products
- D. Raise finance

Answer - Click Here:

C

8. LMM stands for:

- A. Local Marble Market
- B. Locally Manufactured Marble
- C. Locally Manufactured Machinery
- D. Local Meat Marke

Answer - Click Here:

A

9. _____ is used by entrepreneurs to acquire experience in an international market before making a major commitment.

- A. Minority interest
- B. Joint venture
- C. Merger
- D. Majority interest

Answer - Click Here:

A

10. Firms located on science parks are _____ as compared to those located off science parks.

- A. Less innovative
- B. More innovative
- C. No more or less innovative
- D. More growth orientated

Answer - Click Here:

C

11. _____ is NOT essential part of the contract.

- A. Place where contract takes place
- B. Transaction should be described in detail
- C. All the parties involved should be named
- D. Obtain signatures of the persons involved

Answer - Click Here:

A

12. GATT is established in 1947, under _____.

- A. German leadership
- B. French leadership
- C. U.K. leadership
- D. U.S. leadership

Answer - Click Here:

D

13. For closure, every worker is to be compensated with _____ average pay for every year of service completed.

- A. 30 days
- B. 25 days
- C. 20 days
- D. 15 days
- E. All of the Above
- F. None of these

Answer - Click Here:

D

14. Which term is used for the process of developing the applicant's pool for job openings in an organization?

- A. Selection
- B. Recruitment
- C. Hiring
- D. Retention
- E. A and B
- F. None of these

Answer - Click Here:

B

3. High performance work system leads to _____.

- A. safer workplaces
- B. low labor costs
- C. superior employee performance
- D. less employee turnover rate
- E. All of the Above
- F. None of these

Answer - Click Here:

C

15. Which of the following are important components in aligning business strategy with HR practice:

- A. Business Strategy, Human Resource Practices, Organisational Capabilities
- B. Marketing Strategy, Human Resource Practices, Organisational Capabilities
- C. Marketing Strategy, Human Resource Practices, Organisational structure
- D. Business Strategy, Human Resource Practices, Organisational structure

Answer - Click Here:

A

16. A brief write-up of what the job is all about is?

- A. job summary
- B. job finding
- C. job analysis
- D. job specification
- E. All of the Above
- F. None of these

Answer - Click Here:

A

17. A job analyst's task is to _____.

- A. advise management
- B. integrate development activities
- C. develop compensation plans
- D. prepare job description

- E. All of the Above
- F. None of these

Answer - Click Here:

D

18. The basic managerial skill(s) is(are)_____.

- A. To Supervise
- B. To Motivate
- C. To Stimulate
- D. All of the above

Answer - Click Here:

D

19. Who specify the job specification _____?

- A. job description
- B. job design
- C. job analysis
- D. job summary

Answer - Click Here:

C

20. The process of Recruiting employees, selecting the right one for the job and giving them training leads to

- A. organizing
- B. Leading
- C. Staffing
- D. controlling
- E. B, C, and D
- F. None of these

Answer - Click Here:

C

21. During the lay off period, how much employer has to pay of the basic wages.

- A. One fourth
- B. One third
- C. Three fourth
- D. Half
- E. All of the Above
- F. None of these

Answer - Click Here:

D

22. _____ is the division of the total task to be performed into a manageable and efficient unit.

- A. a job design
- B. a job analysis
- C. a job specification
- D. a job description

Answer - Click Here:

A

23. Who manage the crucial functions for the company's survival?

- A. line manager
- B. staff manager
- C. financial manager
- D. both A and B
- E. All of the Above
- F. None of these

Answer - Click Here:

A

24. The objective of inspection can be ...

- A. Customer satisfaction
- B. Defect-free products
- C. Quality product
- D. All of the above

Answer - Click Here:

D

25. HRM does not include _____?

- A. Retirement of employees
- B. Training of employees
- C. Manpower planning
- D. Maintenance of accounts

Answer - Click Here:

D

26. Who issues orders in the chain of command outside their department?

- A. staff managers
- B. finance manager
- C. line managers
- D. both A and B

Answer - Click Here:

C

27. _____ problematic Large recruitment and vice-versa

- A. More
- B. Less
- C. Any of the above

Answer - Click Here:

B

28. SHRM stands for?

- A. Strategic Human Resource Management
- B. Strategic Human Resource Management
- C. Short-term Human Resource Management
- D. Strategic Human Resource Management

Answer - Click Here:

B

29. Human capital includes

- A. skills and expertise of firm's workers
- B. training of firm's workers
- C. education of firm's workers
- D. All of the above

Answer - Click Here:

D

30. Which of the following programme once installed must be continued on a permanent basis.

- A. Job evaluation
- B. Recruitment
- C. Training & Development
- D. All of the above

Answer - Click Here:

A

31. Recruitment is widely viewed as a _____?

- A. negative process
- B. positive process
- C. positive as well as negative process
- D. none of the above processes

Answer - Click Here:

B

32. Who managed the crucial functions for the company's survival?

- A. financial manager
- B. line manager
- C. staff manager
- D. both A and B

Answer - Click Here:

B

33. Who suggested that "the new concept which takes into account various key factors that will tell the overall performance of a job".

- A. Juran
- B. Fred Luthas
- C. Elliot Jacques
- D. None of the above

Answer - Click Here:

A

34. Recruitment policy usually highlights the need for establishing _____?

- A. job description
- B. job analysis
- C. job specification
- D. none of the above

Answer - Click Here:

C

35. Through which authority a company can create 'superior-subordinate' relationship?

- A. line authority
- B. staff authority
- C. hiring authority
- D. all of above

Answer - Click Here:

A

36. The key components of a business process Re-engineering programme?

- A. Customer satisfaction
- B. Service delivery
- C. Product development
- D. All of the above

Answer - Click Here:

SKN, ITT CDR

D

37. HRM stand for _____?

- A. Human Relations Management
- B. Human Resourceful Management
- C. Human Resource Management
- D. Humanistic Resource Management

Answer - Click Here:

C

38. If a company defines communication channels and authority for employees, it is performing _____.

- A. leading function
- B. controlling function
- C. staffing function
- D. organizing function

Answer - Click Here:

D

39. The actual achievements compared with the objectives of the job is _____.

- A. Job description
- B. Job evaluation
- C. Job performance
- D. None of the above

Answer - Click Here:

A

40. Which of the following is not performed by the HR department?

- A. Pay and Reward
- B. Recruitment and Selection
- C. Accounting
- D. B and C
- D. All of the above

Answer - Click Here:

C

41. HR department of a company can create an advisory relationship through _____.

- A. staff authority
- B. hiring authority
- C. line authority
- D. All of the above

Answer - Click Here:

42. _____ concerned with developing a pool of candidates in line with the human resources plan

- A. Training
- B. Recruitment
- C. Development
- D. All of the above

Answer - Click Here:

B

43. The term used before the language of modern HRM was _____?

- A. Personnel Management
- B. Industrial Management
- C. Labour Relations
- D. All of the above

Answer - Click Here:

D

44. _____ provides assistance to top-level management for strategic plans.

- A. center of expertise
- B. transactional HR group
- C. embedded HR group
- D. corporate HR group

Answer - Click Here:

D

45. Problem of _____ is/are lead to the majority of disputes in industry.

- A. Salaries
- B. Benefits
- C. Wages
- D. All of the above

Answer - Click Here:

D

46. Which of the following statements is false?

- A. Organizations are now generally focusing upon domestic rather than international matters
- B. Organizations have been subject to a raft of organizational change programs

- C. Organizations have adopted more flexible norms
- D. Organizations are now less hierarchical in nature

Answer - Click Here:

A

47. Centers of expertise provide special assistance in _____.

- A. long-term strategic plan
- B. organizational change
- C. updates regarding appraisal
- D. production department

Answer - Click Here:

B

48. The career path model in an organization, initiating career planning can importantly form the basis for _____?

- A. Rotation
- B. Transfer
- C. Placement
- D. All of the above
- E. None of These

Answer - Click Here:

D

49. Human Resource Management is ...?

- A. Employer oriented
- B. Employee oriented
- C. Legally oriented
- D. None of the above

Answer - Click Here:

B

50. In HR functions of management, assisting managers is known as _____.

- A. line manager
- B. staff manager
- C. First line supervisor
- D. all of above

Answer - Click Here:

B

51. An employer should only retrench employees who have been most recently hired. Which Section of the Industrial Disputes Act 1947 is referred to this statement.

- A. 34-F
- B. 30-F
- C. 25-G
- D. 24-G
- E. A and B
- D. None of these

Answer - Click Here:

C

52. HRM includes?

- A. HR training and HR development
- B. Retirement and separation of HR
- C. Industrial relations
- D. All of the above

Answer - Click Here:

D

53. Which of the following factor does not involve in communication with employees?

- A. compensating
- B. disciplining
- C. counseling
- D. interviewing

Answer - Click Here:

A

54. Who set the Performance development plan for the employee.

- A. Department Head
- B. Employer
- C. Immediate boss
- D Any of the above

Answer - Click Here:

C

55. HRM is _____?

- A. A line function
- B. A Staff function
- C. accounting function
- D. All of the above

Answer - Click Here:

B

56. Most of the time who is the manager of 'Human Resource' department?

- A. staff manager
- B. line manager
- C. active manager
- D. both A and B

Answer - Click Here:

A

57. The following type of recruitment process is said to be a costly affair.

- A. External recruitment
- B. Internal recruitment
- C. Cost remains the same for both types

Answer - Click Here:

A

58. HRM objectives are categorized as _____?

- A. Organisational and social objectives
- B. Functional objectives
- C. Personal objectives
- D. All of the above

Answer - Click Here:

D

59. The actual performance with set standards is involved in Comparison of employees.

- A. leading
- B. staffing
- C. controlling
- D. organizing

Answer - Click Here:

C

Leadership MCQs Multiple Choice Questions

1. _____ is increasing Leadership rapidly:

- A. Strategy
- B. Command
- C. Control
- D. Getting others to follow

Answer - Click Here:

D

2. Regarding leadership, which statement is false?

- A. Leadership does not necessarily take place within a hierarchical structure of an organisation
- B. When people operate as leaders their role is always clearly established and defined
- C. Not every leader is a manager
- D. All of the above

Answer - Click Here:

B

3. _____ are the approaches to the study of leadership which emphasise the personality of the leader:

- A. Contingency theories
- B. Group theories
- C. Trait theories
- D. Inspirational theories

Answer - Click Here:

C

4. The effectiveness of a leader is dependent upon meeting _____ areas of need within the workgroup:

- A. One
- B. Three
- C. Five
- D. None of the above

Answer - Click Here:

B

5. Needs, setting standards and maintaining discipline, and appointing sub-leaders according to Adair's approach, called as:

- A. Work functions
- B. Task functions
- C. Individual functions
- D. Team functions

[Answer - Click Here:](#)

D

6. The Ohio State Leadership Studies revealed _____ and initiating structure as two major dimensions of leadership behaviour:

- A. Control
- B. Communication
- C. Collaboration
- D. Consideration

[Answer - Click Here:](#)

D

7. _____ used the terms “employee-centred” and “production-centred” to describe leader behaviour:

- A. Blake and McCanse
- B. Fiedler
- C. McGregor
- D. Likert

[Answer - Click Here:](#)

D

8. Identify the four main styles of leadership displayed by the manager which identified in Tannenbaum and Schmidt’s continuum of possible leadership behaviour:

- A. Tells, help, joins and leads
- B. Commands, sells, consults and resists
- C. Tells, sells, consults and joins
- D. Commands, help, joins and leads

[Answer - Click Here:](#)

C

9. Contingency theories of leadership based upon:

- A. That there is no single style of leadership appropriate to all situations
- B. That there is a single style of leadership appropriate to all managers
- C. That there is a single style of leadership appropriate to all situations
- D. None of the above

[Answer - Click Here:](#)

A

10. Leaders with a low LPC score gain satisfaction from _____ according to Fiedler’s LPC scale:

- A. Developing team relationships
- B. Achieving objectives

- C. Both of these
- D. None of the above

Answer - Click Here:

B

11. Model of leadership based on which aspects of a leader's decision is Vroom and Yetton's contingency?

- A. Decision acceptance
- B. Decision quality
- C. Both of these
- D. None of the above

Answer - Click Here:

C

12. An individual's motivation is dependent on:

- A. Whether path-goal relationships are clarified
- B. Expectations that increased effort to achieve an improved level of performance will be successful
- C. Their effective performance
- D. The necessary direction, guidance, training and support is provided

Answer - Click Here:

B

13. A firm that chooses a cost-leadership business strategy focuses on gaining advantages by reducing its costs to a level equal to all of its competitors.

True/ False

Answer - Click Here:

False

14 A cost-leadership competitive strategy helps reduce the threat of entry by creating cost-based barriers to entry.

True/False

Answer - Click Here:

True

15 Cost leadership and product differentiation are so widely recognized that they are often called generic business strategies.

True/False

Answer - Click Here:

True

16 Firms implementing cost-leadership strategies will generally adopt what is known as a functional organizational structure.

True/False

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[Answer - Click Here:](#)

True

17 In general, economies of scale and diseconomies of scale are relatively easy-to-duplicate bases of cost leadership.

True/False

[Answer - Click Here:](#)

True

18 The best example of a firm following a cost-leadership business strategy is

- (A) Wal-Mart
- (B) Rolls Royce
- (C) Mercedes Benz.
- (D) .Macy's

[Answer - Click Here:](#)

A) Wal-Mart

19 Cost-leadership and product-differentiation strategies are so widely recognized that they are often called

- (A) common business strategies.
- (B) generic business strategies.
- (C) generic corporate strategies
- (D) common corporate strategies.

[Answer - Click Here:](#)

B) generic business strategies.

20 Compensation at cost-leadership firms is usually tied directly to product innovation and customer service efforts.

True/ False

[Answer - Click Here:](#)

False

21 Cost leadership as a strategy requires a firm to ___.

- (A). aim at a cost advantage in a niche market
- (B). be unique in its product offering
- (C). aggressively search out efficiencies to maintain the lowest cost structure
- (D). aim to be similar to its competition in most operations

[Answer - Click Here:](#)

Answer: (C). aggressively search out efficiencies to maintain the lowest cost structure

22 Firms implementing cost-leadership strategies will generally adopt a

- (A) multidivisional structure.
- (B) functional organizational structure.
- (C) product divisional structure.
- (D) matrix structure.

[Answer - Click Here:](#)

(B) functional organizational structure.

23 Firms implementing cost-leadership strategies will have _____ layers in their reporting structure.

- (A) relatively complex
- (B) relatively simple
- (C) relatively few
- (D) many

[Answer - Click Here:](#)

(D) many

24. One aspect of using a cost leadership strategy is that experience effects may lead to lower costs.

True/False

[Answer - Click Here:](#)

True

25. The typical risks of a cost leadership strategy includes:

- (A). production and distribution processes becoming obsolete
- (B). the inability to balance high differentiation and low price.
- (C). excessive differentiation to
- (D). loss of customer loyalty.

[Answer - Click Here:](#)

(A). production and distribution processes becoming obsolete

26. One aspect of using a cost leadership strategy is that experience effects may lead to lower costs.

True/False

[Answer - Click Here:](#)

True

27. The typical risks of a cost leadership strategy includes:

- (A). production and distribution processes becoming obsolete
- (B). the inability to balance high differentiation and low price.
- (C). excessive differentiation to
- (D). loss of customer loyalty.

[Answer - Click Here:](#)

(A). production and distribution processes becoming obsolete

Under which condition would a cost leadership strategy be especially effective?

[Answer - Click Here:](#)

28. Cost leadership strategy is more effective under the following two conditions;

1. When price competition among competitive sellers is too much.

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2 When the products of competitive sellers is identical to your product and supplies are readily available.

One aspect of using a cost leadership strategy is that experience effects may lead to lower costs. Experience effects are achieved by.....?

Answer - Click Here:

repeating a process until a task becomes easier.

29. Firms pursuing a cost-leadership strategy are typically characterized by?

- (A) loose cost control systems.
- (B) close supervision of labor, raw materials, inventory, and other costs.
- (C) Both A and B
- (D) a de -emphasis on quantitative cost goals and costs.
- (E). None of these

Answer - Click Here:

B) close supervision of labor, raw materials, inventory, and other costs.

30. What must a cost-leadership strategy accomplish to be successful?

- (A). It must increase the firm's cost above that of its competitors while offering adequate value.
- (B). It must reduce the firm's cost below that of its competitors while offering superior value.
- (C). Both A and B
- (D). It must reduce the firm's cost below that of its competitors while offering adequate value.
- (E). None of these

Answer - Click Here:

(D). It must reduce the firm's cost below that of its competitors while offering adequate value.

Marketing Management

1. Which of the following statements is correct?

- A. Marketing is the term used to refer only to the sales function within a firm
- B. Marketing managers usually don't get involved in production or distribution decisions
- C. Marketing is an activity that considers only the needs of the organization, not the needs of society as a whole
- D. Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large

[View answer](#)

Correct answer: (D)

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large

2. Which of the following is NOT an element of the marketing mix?

- A. Distribution
- B. Product
- C. Target market
- D. Pricing

[View answer](#)

Correct answer: (C)

Target market

3. Marketing decision makers in a firm must constantly monitor competitors' activities-their products, prices, distribution, and promotional efforts-because

- A. The competitors may be violating the law and can be reported to the authorities
- B. The actions of competitors may threaten the monopoly position of the firm in its industry
- C. The actions of competitors may create an oligopoly within an industry
- D. New product offerings by a competitor with the resulting competitive variations may require adjustments to one or more components of the firm's marketing mix

[View answer](#)

Correct answer: (D)

New product offerings by a competitor with the resulting competitive variations may require adjustments to one or more components of the firm's marketing mix

4. Political campaigns are generally examples of---

- A. Cause marketing
- B. Organization marketing
- C. Event marketing
- D. Person marketing

View answer

Correct answer: (D)

Person marketing

5. _____ is the collection and interpretation of information about forces, events, and relationships that may affect the organization.

- A. Environmental scanning
- B. Stakeholder analysis
- C. Market sampling
- D. Opportunity analysis

View answer

Correct answer: (A)

Environmental scanning

6. Which of the following is typically NOT a result of recognizing the importance of ethnic groups by marketers?

- A. Use of an undifferentiated one-size-fits-all marketing strategy
- B. Different pricing strategies for different groups
- C. Variations in product offerings to suit the wants of a particular group
- D. Study of ethnic buying habits to isolate market segments

View answer

Correct answer: (A)

Use of an undifferentiated one-size-fits-all marketing strategy

7. Strategic marketing planning establishes the---

- A. Resource base provided by the firm's strategy
- B. Economic impact of additional sales
- C. Tactical plans that must be implemented by the entire organization
- D. Basis for any marketing strategy

View answer

Correct answer: (D)

Basis for any marketing strategy

8. These objectives are often the most suitable when firms operate in a market dominated by a major competitor and where their financial resources are limited

- A. Niche
- B. Hold
- C. Harvest
- D. Divest

[View answer](#)

Correct answer: (A)

Niche

9. When companies make marketing decisions by considering consumers' wants and the long-run interests of the company, consumer, and the general population, they are practicing which of the following principles?

- A. Innovative marketing
- B. Consumer-oriented marketing
- C. Value marketing
- D. Societal marketing

[View answer](#)

Correct answer: (D)

Societal marketing

10. The use of price points for reference to different levels of quality for a company's related products is typical of which product-mix pricing strategy?

- A. Optional-product pricing
- B. Captive-product pricing
- C. By-product pricing
- D. Product line pricing

[View answer](#)

Correct answer: (D)

Product line pricing

11. _____ is the concept under which a company carefully integrates and coordinates its many communications channels to deliver a clear, consistent, and compelling message about the organization and its products.

- A. The promotion mix
- B. Integrated international affairs
- C. Integrated marketing communications
- D. Integrated demand characteristics

[View answer](#)

Correct answer: (C)

Integrated marketing communications

12. The _____ holds that consumers will favor products that are available and highly affordable (therefore, work on improving production and distribution efficiency).

- A. Product concept
- B. Production concept
- C. Production cost expansion concept
- D. Marketing concept

[View answer](#)

Correct answer: (A)

Product concept

13. The term marketing refers to:

- A. New product concepts and improvements
- B. Advertising and promotion activities
- C. A philosophy that stresses customer value and satisfaction
- D. Planning sales campaigns

[View answer](#)

Correct answer: (C)

A philosophy that stresses customer value and satisfaction

14. The term "marketing mix" describes:

- A. A composite analysis of all environmental factors inside and outside the firm
- B. A series of business decisions that aid in selling a product
- C. The relationship between a firm's marketing strengths and its business weaknesses
- D. A blending of four strategic elements to satisfy specific target markets

[View answer](#)

Correct answer: (D)

A blending of four strategic elements to satisfy specific target markets

15. When looking at consumer income, marketers are most interested in

- A. Discretionary income
- B. Deferred income
- C. Inflationary income
- D. Disposable income

[View answer](#)

Correct answer: (A)

Discretionary income

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16. Newsletters, catalogues, and invitations to organization-sponsored events are most closely associated with the marketing mix activity of---

- A. Pricing
- B. Distribution
- C. Product development
- D. Promotion

[View answer](#)

Correct answer: (D)

Promotion

17. Assume you are in charge of the politically-mandated process of converting the economy of a developing African nation from state-controlled to market-driven business ventures. Your ability to control_____ will most likely determine the future success of the country and its government.

- A. The culture
- B. Marketing
- C. Technology
- D. Competitive environment

[View answer](#)

Correct answer: (B)

Marketing

18. Early adopters of which opinion leaders are largely comprised of and tend to be _____

- A. Generalized; that is, they tend to lead the group on most issues
- B. More likely to buy new products before their friends do and voice their opinions about them
- C. From the upper class; people from other classes are more likely to be followers
- D. Quiet, withdrawn people who don't make fashion statements or take risks easily

[View answer](#)

Correct answer: (B)

More likely to buy new products before their friends do and voice their opinions about them

19. The strategic marketing planning process begins with _____

- A. The writing of the mission statement
- B. The establishment of organizational objectives
- C. The formulation of a marketing plan

D. Hiring a senior planner

[View answer](#)

Correct answer: (A)

The writing of the mission statement

20. Market expansion is usually achieved by:

- A. More effective use of distribution
- B. More effective use of advertising
- C. By cutting prices
- D. All of the above are suitable tactics

[View answer](#)

Correct answer: (D)

All of the above are suitable tactics

21. A marketing philosophy summarized by the phrase "a good product will sell itself" is characteristic of the _____ period.

- A. Production
- B. Sales
- C. Marketing
- D. Relationship

[View answer](#)

Correct answer: (A)

Production

22. Diversification is best described as which of the following?

- A. Existing products in new markets
- B. Existing products in existing markets
- C. New products for new markets
- D. New products for existing markets

[View answer](#)

Correct answer: (C)

New products for new markets

23. Today's marketers need _____

- A. Neither creativity nor critical thinking skills
- B. Both creativity and critical thinking skills
- C. Critical thinking skills but not creativity
- D. Creativity but not critical thinking skills

[View answer](#)

Correct answer: (B)

Both creativity and critical thinking skills

24. An imbalance between a consumer's actual and desired state in which recognition that a gap or problem needs resolving is called _____

- A. Motive development
- B. An attitudes
- C. A self-concept
- D. Product Evolutions

[View answer](#)

Correct answer: (A)

Motive development

25. When producers, wholesalers, and retailers act as a unified system, they comprise a _____

- A. Conventional marketing system.
- B. Power-based marketing system.
- C. Horizontal marketing system.
- D. Vertical marketing system.

[View answer](#)

Correct answer: (D)

Vertical marketing system.

26. Which of the following is a strategic marketing planning tool?

- A. The market share/market growth (BCG) matrix
- B. The consumer scanning model
- C. A market vulnerability/business opportunity matrix
- D. Market sheet analysis

[View answer](#)

Correct answer: (A)

The market share/market growth (BCG) matrix

27. Diversification is best described as which of the following?

- A. Existing products in new markets
- B. Existing products in existing markets
- C. New products for new markets
- D. New products for existing markets

View answer

Correct answer: (C)

New products for new markets

28. The process that turns marketing strategies and plans into marketing actions in order to accomplish strategic marketing objectives is called _____

- A. Marketing strategy.
- B. Marketing control.
- C. Marketing analysis.
- D. Marketing implementation

View answer

Correct answer: (D)

Marketing implementation

29. _____ is a strategy of using a successful brand name to launch a new or modified product in a new category.

- A. Duo-branding
- B. Line extension
- C. Brand extension
- D. Multi-branding

View answer

Correct answer: (C)

Brand extension

30. The stage is the product life cycle that focuses on expanding market and creating product awareness and trial is the:

- A. Decline stage.
- B. Introduction stage.
- C. Growth stage.
- D. Maturity stage.

View answer

Correct answer: (B)

Introduction stage.

31. _____ is a critical success factors of products at project level which is indicated by a differentiated product with unique customer benefits.

- A. Solid up front homework
- B. High quality marketing activities
- C. Sharp early product definition

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D. Product superiority

[View answer](#)

Correct answer: (D)

Product superiority

32. Which of the following represents the correct sequence of tasks for building a brand (from left to right)?

- A. Developing marketing programs, Leverage of secondary associations, Choosing brand elements
- B. Choosing brand elements, Developing marketing programs, Leverage of secondary associations
- C. Choosing brand elements, Leverage of secondary associations, Developing marketing programs
- D. Leverage of secondary associations, Choosing brand elements, Developing marketing programs

[View answer](#)

Correct answer: (B)

Choosing brand elements, Developing marketing programs, Leverage of secondary associations

33. Company A fixes its marketing communication budget by observing the budget set by Company B. This is an example of establishing budget by:

- A. Affordable method
- B. Percentage of sales method
- C. Competitive parity method
- D. Objective and task method

[View answer](#)

Correct answer: (C)

Competitive parity method

34. Marketing channel that involves no intermediaries to make their products available to final buyers is classified as

- A. Direct channel
- B. Indirect channel
- C. Static channel
- D. Flexible channel

[View answer](#)

Correct answer: (A)

Direct channel

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35. Typically profit is negative in which stage of the product life cycle?

- A. Growth
- B. Maturity
- C. Introduction
- D. Decline

[View answer](#)

Correct answer: (C)

Introduction

36. The Economic Order Quantity (EOQ) represents the order quantity for which:

- A. Inventory carrying cost per unit is lowest
- B. Order processing cost per unit is lowest
- C. Total inventory and order cost per unit is lowest
- D. None of these

[View answer](#)

Correct answer: (C)

Total inventory and order cost per unit is lowest

37. Which of the following statement is true regarding break-even point:

- A. The profit at break-even point is 0
- B. Total revenue is more than total cost at break-even point
- C. Total cost is more than total profit at break-even point
- D. None of these

[View answer](#)

Correct answer: (A)

The profit at break-even point is 0

38. Cost of setting up a warehouse is considered as _____ cost and cost of overtime paid to workers is considered as a _____ cost.

- A. Fixed, fixed
- B. Variable, fixed
- C. Fixed, variable
- D. Variable, Variable

[View answer](#)

Correct answer: (C)

Fixed, variable

39. Identify the incorrect statement about multiple channels:

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- A. Internet banking is an example of low cost channel that is offered by banks
- B. Customers usually use only one channel for all transactions even if multiple channels are offered
- C. Service sensitive customers prefer the full service channels
- D. Economic considerations should not be the only criteria for deciding what combination of channels to be used

View answer

Correct answer: (B)

Customers usually use only one channel for all transactions even if multiple channels are offered

40. Segmentation is the process of:

- A. Dividing the market into homogenous groups
- B. Selecting one group of consumers among several other groups
- C. Creating a unique space in the minds of the target consumer
- D. None of these

View answer

Correct answer: (A)

Dividing the market into homogenous groups

41. Good marketing is no accident, but a result of careful planning and _____.

- A. Execution
- B. Selling.
- C. Research.
- D. Strategies.

View answer

Correct answer: (A)

Execution

42. The _____ function of marketing makes the products available in different geographic regions.

- A. Production.
- B. Selling.
- C. Distribution.
- D. Promotion.

View answer

Correct answer: (C)

Distribution.

43. The traditional view of marketing is that the firm makes something and then _____ it.

- A. Markets.
- B. Sells.
- C. Prices.
- D. Services.

View answer

Correct answer: (B)

Sells.

44. _____ is referred to as segmentation.

- A. Mass marketing.
- B. Niche marketing.
- C. Differentiated marketing.

View answer

Correct answer: (A)

Mass marketing.

45. Groups that have a direct or indirect influence on a persons attitudes or behavior is known as _____

- A. Reference groups
- B. Family.
- C. Roles.
- D. Status.

View answer

Correct answer: (A)

Reference groups

46. Augmented product contains _____.

- A. Basic needs.
- B. Functional characteristics.
- C. Additional benefits.
- D. Expected features.

View answer

Correct answer: (C)

Additional benefits.

47. The emotional attachment of a customer towards a brand is known as _____.

- A. Brand associations
- B. Perceived quality.
- C. Brand loyalty.
- D. Brand awareness.

View answer

Correct answer: (C)

Brand loyalty.

48. Logistics means _____.

- A. Production.
- B. Flow of goods.
- C. Consumption.
- D. Marketing channel.

View answer

Correct answer: (B)

Flow of goods.

49. Logistics management is a part of _____.

- A. Production.
- B. Marketing channel
- C. Supply chain management.
- D. Consumption.

View answer

Correct answer: (C)

Supply chain management.

50. Marketing buzz means _____.

- A. Viral marketing.
- B. Virtual marketing.
- C. De-marketing.
- D. Social marketing.

View answer

Correct answer: (A)

Viral marketing.

51. Re-marketing is related with creating demand for _____.

- A. Fresh products.
- B. Non-usable products
- C. Low quality products.
- D. Renewed use of products.

[View answer](#)

Correct answer: (D)

Renewed use of products.

52. _____ is aimed at encouraging renewed use of a product in which market interest has declined.

- A. De-marketing.
- B. Re-marketing.
- C. Synch rod.
- D. Tele marketing.

[View answer](#)

Correct answer: (B)

Re-marketing.

53. Demographic segmentation refers to.

- A. The description of the people and the place in society.
- B. The description of the people's purchasing behavior
- C. The location where people live
- D. Geographic regions.

[View answer](#)

Correct answer: (A)

The description of the people and the place in society.

54. Which of the following reflects the marketing concept philosophy?

- A. " you won't find a better deal anywhere".
- B. "When it's profits versus customers needs, profits will always win out".
- C. "We are in the business of making and selling superior product".
- D. "We won't have a marketing department, we have a customer department".

[View answer](#)

Correct answer: (D)

"We won't have a marketing department, we have a customer department".

55. What is price skimming?

- A. Setting an initially high price which falls as competitors enter the market.

- B. Setting a high price which consumers perceive as indicating high quality.
- C. Setting a low price to "Skim off" a large number of consumers.

View answer

Correct answer: (A)

Setting an initially high price which falls as competitors enter the market.

56. In selling concept, maximization of project of the firm is done through _____.

- A. Sales volume.
- B. Increasing production.
- C. Quality.
- D. Services.

View answer

Correct answer: (A)

Sales volume.

57. _____ motives are those which determine where or from whom products are purchased.

- A. Product.
- B. Patronage.
- C. Emotional.
- D. Rational.

View answer

Correct answer: (B)

Patronage.

58. In _____ segmentation , buyers are divided into different groups on the basis of life style or personality and values.

- A. Geographic.
- B. Demographic
- C. Psychographic.
- D. Behavioral.

View answer

Correct answer: (C)

Psychographic.

59. The technique of using the social network on the internet to create the brand image is called as _____.

- A. Social marketing.
- B. Re-marketing.
- C. Viral-marketing.
- D. Synchronic marketing.

[View answer](#)

Correct answer: (C)

Viral-marketing.

60. Which of the following is not included in the function of physical supply:

- A. Standardization.
- B. Storage.
- C. Packaging.
- D. Transportation.

[View answer](#)

Correct answer: (A)

Standardization.

61. Which of the following is not part of demographic segmentation?

- A. Age.
- B. Income.
- C. Education.
- D. Interest.

[View answer](#)

Correct answer: (D)

Interest.

62. When a consumer decides to buy without much logical thinking, his decision is said to be _____

- A. Patronage.
- B. Emotional.
- C. Rational.
- D. None of these.

[View answer](#)

Correct answer: (B)

Emotional.

63. _____ price refers to the high initial price charged when a new product is introduced in the market.

- A. Premium.
- B. Penetration.
- C. Skimming.
- D. None of these.

View answer

Correct answer: (C)

Skimming.

64. _____ is the practice of charging a low price right down from the beginning to stimulate the growth of the market.

- A. Skimming.
- B. Penetration.
- C. Premium.
- D. None of these.

View answer

Correct answer: (B)

Penetration.

65. Super market is also known as _____.

- A. Self service store
- B. Hyper market.
- C. co-operative societies.
- D. None of these.

View answer

Correct answer: (A)

Self service store

66. The best channel of distribution for vacuum cleaner is _____.

- A. Direct marketing.
- B. Tele marketing.
- C. Retail chains.
- D. None of these.

View answer

Correct answer: (A)

Direct marketing.

67. M P R stands for:

- A. Managing public relations.

- B. Measuring public relations
- C. Marketing public relations.
- D. Monitoring public relations.

View answer

Correct answer: (C)

Marketing public relations.

68. Being _____ one cannot taste, touch, see, hear, smell or use services like physical products;

- A. Intangible.
- B. Tangible.
- C. None of these.

View answer

Correct answer: (A)

Intangible.

69. The term Meta marketing was first used by _____.

- A. Eugene .J .Kelly.
- B. N. H. Borden.
- C. Wendell.
- D. None of these.

View answer

Correct answer: (A)

Eugene .J .Kelly.

70. E- marketing is a part of _____.

- A. E-commerce.
- B. E-cash.
- C. E-Payment.
- D. E-mail.

View answer

Correct answer: (A)

E-commerce.

71. _____ advertisement is a small, graphic links placed on a web page.

- A. Banner.
- B. Buttons.
- C. Website.

D. E-mail.

[View answer](#)

Correct answer: (A)

Banner.

72. Social marketing is used as an instrument to achieve the goals of _____.

- A. Marketer.
- B. Seller.
- C. Society.
- D. None of these.

[View answer](#)

Correct answer: (C)

Society.

73. _____ marketing means serving a small market not Served by competitions.

- A. Niche.
- B. Mega.
- C. Meta.
- D. None of these.

[View answer](#)

Correct answer: (A)

Niche.

74. these are _____ elements of promotion mix.

- A. Four.
- B. Six.
- C. Five.
- D. Two.

[View answer](#)

Correct answer: (B)

Six.

75. _____ advertisement is used at the time of introducing a new product in the market.

- A. Selective.
- B. Reminder.
- C. Primary.
- D. None of these.

View answer

Correct answer: (C)

Primary.

76. _____ is the oral presentation in a conversation with one or more prospective buyers for the purpose of making sales.

- A. Advertising.
- B. Branding.
- C. Personal selling.
- D. None of these.

View answer

Correct answer: (C)

Personal selling.

77. The process of introducing higher quality products by a manufacturer is called _____.

- A. Product line expansion.
- B. Product line contraction
- C. Trading down.
- D. Trading up.

View answer

Correct answer: (D)

Trading up.

78. _____ is the marketing and financial value associated with a brand's strength in a market.

- A. Brand equity.
- B. Brand loyalty.
- C. Branding.
- D. None of these.

View answer

Correct answer: (A)

Brand equity.

79. Marketing is both an "art" and a "science" there is constant tension between the formulated side of marketing and the _____ side.

- A. Creative.
- B. Management.
- C. Selling.

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D. Behavior.

[View answer](#)

Correct answer: (A)

Creative.

80. Transportation belongs to _____ function of marketing.

- A. Research.
- B. Exchange.
- C. Physical supply
- D. Facilitating.

[View answer](#)

Correct answer: (C)

Physical supply

81. The task of any business is to deliver _____ at a profit.

- A. Customer needs
- B. Products.
- C. Customer value
- D. Quality.

[View answer](#)

Correct answer: (C)

Customer value

82. _____ is the next stage of market segmentation.

- A. market targeting
- B. Positioning.
- C. MIS.
- D. Marketing.

[View answer](#)

Correct answer: (A)

market targeting

83. Customers are showing greater price sensitivity in their search for _____.

- A. The right product.
- B. The right service.
- C. Value.
- D. The right store.

View answer

Correct answer: (C)

Value.

84. Testing before launching a product is known as _____.

- A. Test marketing.
- B. Concept testing..
- C. Acid test.
- D. Market test.

View answer

Correct answer: (A)

Test marketing.

85. The emotional attachment of a customer towards a brand is known as _____.

- A. Brand loyalty.
- B. Brand awareness.
- C. Brand equity.
- D. Brand association.

View answer

Correct answer: (A)

Brand loyalty.

86. When organization in the same level of a channel work on a co-operative basis , it is known as _____

- A. V M S.
- B. S C M.
- C. Logistics.
- D. H M S.

View answer

Correct answer: (D)

H M S.

87. _____ is an attempt to reduce the demand for consumption of a specific product or service on a permanent or temporary basis.

- A. De-marketing.
- B. Remarketing
- C. Ostensible marketing
- D. Synchronic marketing.

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[View answer](#)

Correct answer: (A)

De-marketing.

88. In the traditional _____ concept , the main strategy of the company is to find customers for the product, manufactured by them and somehow convince the customer into buying this product.

- A. Selling.
- B. Product.
- C. Production.
- D. Marketing.

[View answer](#)

Correct answer: (A)

Selling.

89. In _____ stage , a product is well established in the market.

- A. Growth.
- B. Maturity.
- C. Introduction.
- D. Decline.

[View answer](#)

Correct answer: (B)

Maturity.

90. Some companies are now switching from being product- centered to being more _____ centered.

- A. Competency.
- B. Marketing.
- C. Sales.
- D. Customer-segment.

[View answer](#)

Correct answer: (D)

Customer-segment.

91. _____ environment consists of the factors like inflation rate, interest rate and unemployment.

- A. Geographic.
- B. Economic.
- C. Demographic.

D. Technological.

[View answer](#)

Correct answer: (B)

Economic.

92. A marketing information system (MIS) caters to the needs of _____.

- A. Marketing decision.
- B. Databases.
- C. Safeguard.
- D. Customized.

[View answer](#)

Correct answer: (A)

Marketing decision.

93. The practice of using the established brand names of two different companies on the same product is termed as _____.

- A. Manufacturer brand.
- B. Private brand.
- C. Brand licensing.
- D. Co-branding.

[View answer](#)

Correct answer: (D)

Co-branding.

94. Maslow's need hierarchy theory deals with _____ levels.

- A. Two levels.
- B. Three levels.
- C. five levels.
- D. four levels.

[View answer](#)

Correct answer: (C)

five levels.

95. When a firm practices _____ concept, all its activities are directed to satisfy the consumer.

- A. selling.
- B. Production.
- C. Marketing.

D. Societal.

[View answer](#)

Correct answer: (C)

Marketing.

96. The process of finding and creating new uses or satisfactions for an existing product is known as _____.

- A. Niche- marketing.
- B. Re- marketing.
- C. Social marketing.
- D. None of these.

[View answer](#)

Correct answer: (B)

Re- marketing.

97. _____ is the process of creating an image for a product in the minds of targeted customers.

- A. Segmentation.
- B. Target marketing.
- C. Positioning.
- D. None of these.

[View answer](#)

Correct answer: (C)

Positioning.

98. The only revenue producing element in the marketing mix is.

- A. Product.
- B. Price.
- C. Place.
- D. Promotion.

[View answer](#)

Correct answer: (B)

Price.

99. _____ is the most common method used for pricing.

- A. cost plus pricing.
- B. Target pricing.
- C. Break- even- pricing..

D. Marginal cost.

[View answer](#)

Correct answer: (A)
cost plus pricing.

100. _____ is a broad range of activities concerned with efficient movement of finished goods from the end of the production line to the consumer.

- A. Physical distribution.
- B. Channel of distribution
- C. Intensive distribution.
- D. None of these.

[View answer](#)

Correct answer: (A)
Physical distribution.