UNIT-7 (LIVESTOCK ENTREPRENEURSHIP)

Definition of entrepreneur, entrepreneurship, enterprise and manager.Difference between entrepreneur and entrepreneurship, entrepreneur and enterprise, entrepreneur and manager. Theories of entrepreneurship: Sociological theory, economic theory, cultural theory, psychological theory. Types, characteristics and functions of an entrepreneur. Forms of entrepreneurship: (Sole proprietorship, partnership, corporation, cooperative, joint stock company, Private and Public Limited Company). Introduction to financial management: concept, function, analysis of financial statement, sources of capital (banks, venture capitals, etc.). Project appraisal- Introduction, importance, techno-economic feasibility, criteria of project evaluation (discounted and non-discounted), capital budgeting, etc.Business plan for enterprise.Institutions promoting entrepreneurship in India. Entrepreneurship development programmes. Accounting: objectives, common terms. Personnel management-identification of work, job analysis, division of labour etc.Resource management- organization aspect of livestock farms, resources and procurement of inputs and financial resources, breakeven- analysis etc.

In Economics, output is considered to be created by the combination of factors of production such as Land, Labour, Capital and Organisation. For their contribution in the production process, each factor is rewarded. Land is paid in terms of rent and labour is rewarded with wage while capital is paid in terms of interest. Organisation/ Entrepreneur, combines all these factors judiciously and also assumes risk and faces uncertainty in the production process and for this activity they are paid in terms of profit.

Entrepreneur

An *entrepreneur* is a person who has possession of an enterprise or venture and accepts significant accountability for the inherent risks and the outcome. The word "Entrepreneur" is derived from the **French** verb ***entrepredre***. It means **'to undertake'**. The term is used to refer to anyone who undertakes the organization and management of an enterprise involving independence and risk as well as the opportunity for profit.

According to J.B.Say, "An entrepreneur is the economic agent who unites all means of production such as land, labour and the capital, thus produces a product".

According to Peter F. Drucker, Entrepreneur searches for change, responds to it and exploits opportunities. Innovation is the specific tool of an entrepreneur. Thus, entrepreneur, in English, is a term applied to the type of personality who is willing to take upon herself or himself a new venture or enterprise and accepts full responsibility for the outcome. Entrepreneurs identify the market opportunity and exploit it by organizing their resources efficiently to accomplish an outcome which changes existing interactions within a given sector.

According to Joseph Schumepeter, "An entrepreneur in an advanced economy, is an individual who introduces something new in the economy a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like".

THE CONCEPT OF ENTREPRENEURSHIP

- Entrepreneurship is a process of identifying opportunities in the market place, arranging the resources required to pursue these opportunities and investing the resources judiciously to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise.
- According to Higgins, "Entrepreneurship stood for the function of foreseeing investment and production opportunities, raising capital, hiring labour, arranging the supply of raw materials, finding site, introducing a new technique, discovering new resources or raw materials and selecting top managers for day to day operations of the enterprise".
- To conclude, entrepreneurship is set of activities performed by the entrepreneur. Thus, entrepreneur proceeds entrepreneurship.

The functions of entrepreneurship according to Schumepeter are

1. Introduction of new product (Designer Egg, Crossbred cows, Hybrid fowls, etc.)
2. Introduction of methods of production (Slated floor rearing of Goat, Integration in poultry farming, etc.)
3. Developing new markets (Urban areas) and finding fresh source of raw materials (animal waste recycling), and
4. Making changes.

   To conclude, an entrepreneur is the person who bears risk, does something innovative, unites various factors of production, exploits the perceived opportunities in order to evoke demand, create wealth and employment.

Enterprise is the activity of managing companies and businesses and starting new ones.

A manager is a person who is responsible for running part of or the whole of a business organization.

Difference between entrepreneur and entrepreneurship, entrepreneur and enterprise, entrepreneur and manager.

Entrepreneur & Entrepreneurship both are closer, one represents person and other represents the person's activity.In other words, an entrepreneur starts a business with an idea and build the business as per the goals and objectives. An Entrepreneur refers to a person who organises, manages and operates multiple businesses with different goals and takes financial risks also. Whereas an entrepreneurship is defined as the process of starting, executing the business activities with various departments in the business is known as entrepreneurship.

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Entrepreneur	Entrepreneurship
Entrepreneur is a person.	Entrepreneurship is a process.
Entrepreneur is an organizer.	Entrepreneurship is an organization.
Entrepreneur is an innovator.	Entrepreneurship is an innovation.
Entrepreneur is a risk bearer.	Entrepreneurship is risk bearing.
Entrepreneur is a motivator.	Entrepreneurship is motivation.
Entrepreneur is a creator.	Entrepreneurship is a creation.
Entrepreneur is a visualizer.	Entrepreneurship is a vision.
Entrepreneur is a leader.	Entrepreneurship is leadership.
Entrepreneur is an imitator.	Entrepreneurship is an imitation.

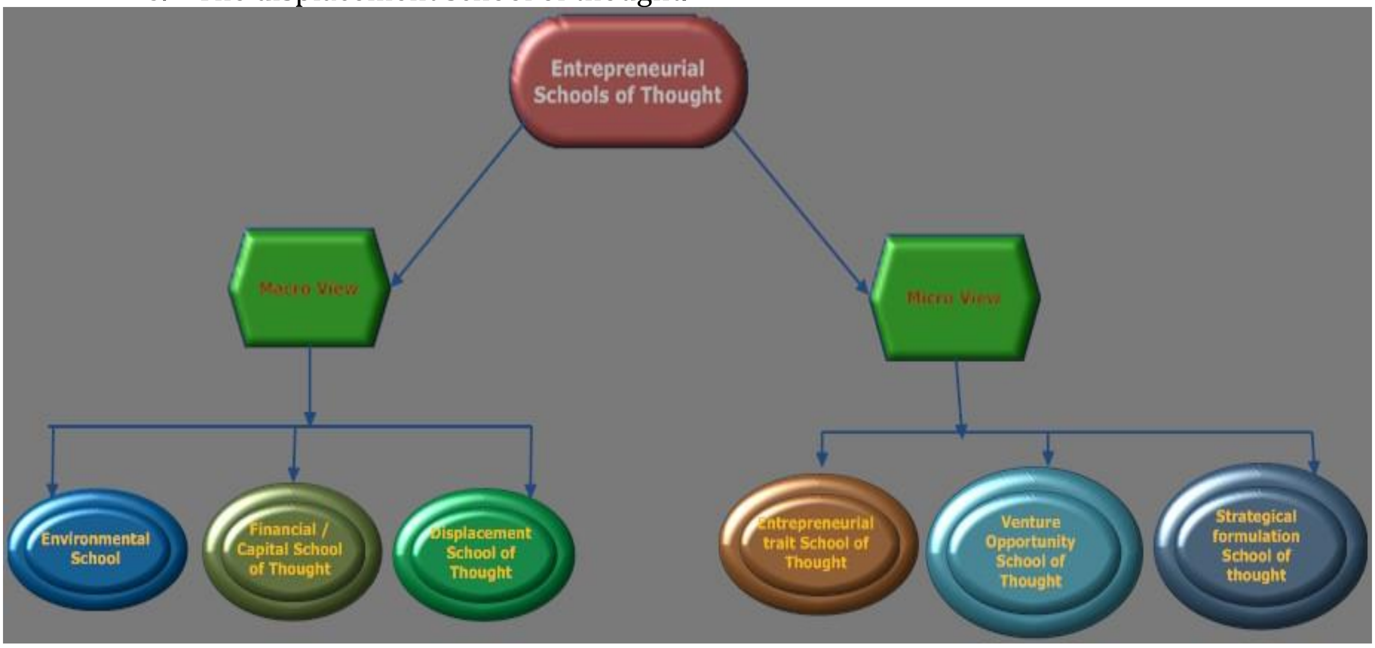
DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER

Goal Management	An entrepreneur starts a venture by setting up a new enterprise for his personal gratification. He starts from the scrap and build it brick by brick .	The main aim of a manager is to render his service in an enterprise already set up by someone, to achieve the goal of the firm. He merely run the business efficiently which was built by some other person.
Ownership	Entrepreneur is the owner of enterprise.	A manager is an employee in the enterprise.
Risk	Entrepreneur bears all risks and uncertainty involved in the enterprise.	A manager being an employee does not bear any risk or uncertainty involved in the enterprise.
Rewards	Entrepreneur, for his risk bearing role, receives profits. It may fetch him greater returns or may be irregular and can at times be negative.	A manager receives salary as reward for service rendered which is fixed at any particular period and regular, but can never be negative.
Innovation	As an innovator he is called as change agent who introduces new or modified goods and services to meet changing needs of the customer. He plans, envisages the changes and implements them.	A manager executes the plans of the entrepreneur. Thus, a manager translates others ideas into practice.

THE SCHOOLS OF ENTREPRENEURIAL THOUGHT

MACRO VIEW

- The macro view of entrepreneurship presents a broad array of external processes that are beyond the control of the individual entrepreneur.
- In macro view there are three schools of entrepreneurial thought
  1. The environmental school of thought,
  2. The financial/capital school of thought, and
  3. The displacement school of thought.



The Environmental School of Thought

- This school of thought deals with the external factors that affect a potential entrepreneur's lifestyle. These can be either positive or negative forces in the molding of entrepreneurial desires.
- Here, the focus is on institutions, values, and customs that, grouped together, form a sociopolitical environmental framework that strongly influences the development of entrepreneurs.
- For example, if a middle manager experiences the freedom and support to develop ideas, initiate contracts, or create and institute new methods, the work environment will serve to promote that person's desire to pursue an entrepreneurial career.
- Another environmental factor that often affects the potential development of entrepreneurs is their social group. The atmosphere of friends and relatives can influence the desire to become an entrepreneur.

The Financial/Capital School of Thought

- This school of thought is based on the capital seeking process. The search for seed and growth capital is the entire focus of the entrepreneur.
- Certain literature is devoted specifically to this process, whereas other sources tend to treat it as one segment of the entrepreneurial process.
- The venture capital process is vital to an entrepreneur's development. This school of thought views the entire entrepreneurial venture from a financial management standpoint.

The Displacement School of Thought

- The displacement school of thought focuses on the negative side of group phenomena where someone feels "out of place" or is literally "displaced" from the group.
- It holds that the group hinders a person from advancing or eliminates certain critical factors needed for that person to advance.
- Due to such actions the frustrated individual will be forced into an entrepreneurial pursuit out of his or her own motivation to succeed. The individuals will not pursue a venture unless they are prevented or displaced from doing other activities.
- Cultural awareness, knowledge of political and public policy, and economic indoctrination will aid and improve entrepreneurial understanding under the displacement school of thought. The broader the educational base in economics and political science, the stronger the entrepreneurial understanding. Three major types of displacement, i.e. political, cultural and economic, illustrate this school of thought.

MICRO VIEW

The micro view of entrepreneurship examines the factors that are specific to entrepreneurship and are part of the internal locus of control. The potential entrepreneur has the ability, or control, to direct or adjust the outcome of each major influence in this view. Unlike the macro approach, which focuses on events from the outside looking in, the micro approach concentrates on specifics from the inside looking out.

The Entrepreneurial Trait School of Thought

Many researchers and writers have been interested in identifying traits common to successful entrepreneurs. This approach is based on the study of successful people who tend to exhibit similar characteristics that, if copied, would increase success opportunities for the followers. For example, achievement, creativity, determination, and technical knowledge are four factors that usually are exhibited by successful entrepreneurs. Family development and educational incubation are also examined. Certain researchers have argued against educational development of entrepreneurs because they believe it inhibits the creative and challenging nature of entrepreneurship. Other authors, however, contend that new programs and new educational developments are on the increase because they have been found to aid in entrepreneurial development. The family development idea focuses on the nurturing and support that exist within the home atmosphere of an entrepreneurial family. This reasoning promotes the belief that certain traits established and supported early in life will lead eventually to entrepreneurial success

The Venture Opportunity Schools of Thought

This school of thought focuses on the opportunity aspects of venture development. The search for idea sources, the development of concepts, and the implementation of venture opportunities are the important interest areas for this school. Creativity and market awareness are viewed as essential. Additionally, according to this school of thought, developing the right idea at the right time for the right market niche is the essential criterion to entrepreneurial success.

Another development from this school of thought is based on corridor principle. While exploring or formulating a concept, new pathways or opportunities will arise that lead entrepreneurs in different directions. The ability to recognize these opportunities when they arise and to implement the necessary steps for action are key factors. The maxim that preparation meeting opportunity equals 'luck' underlies this corridor principle. Proponents of this school of thought believe that proper preparation in the interdisciplinary business segments will enhance the ability to recognize venture opportunities.

The Strategic Formulation School of Thought

- George Steiner has stated that 'strategic planning' is inextricably interwoven into the entire fabric of management; it is not something separate and distinct from the process of management. The strategic formulation approach to entrepreneurial theory emphasizes the planning process in successful venture development.
- Ronstadt views strategic formulation as a leveraging of unique elements. Unique markets, unique people, unique products, or unique resources are identified, used, or constructed into effective venture formations. The interdisciplinary aspects of strategic adaptation become apparent in the characteristic elements listed herewith their corresponding strategies:
  - Unique markets: Mountain versus mountain gap strategies, which refers to identifying major market segments as well as interstice (in-between) markets that arise from larger markets.
  - Unique people: Great chef strategies, which refers to the skills or special talents of one or more individuals around whom the venture is built (Venkateshwara Hatchery) .
  - Unique products: Better widget strategies, which refers to innovations that encompass new or existing markets *(Kentucky fried chicken* -KFC) .
  - Unique resources: Water well strategies, which refers to the ability to gather or harness special resources (land, labor, capital, raw materials) over the long term. Without question, the strategic formulation school encompasses a breadth of managerial capability that requires an interdisciplinary approach.

TYPES OF ENTREPRENEUR

(1) Clarence Danhof Classification: **Clarence Danhof classifies entrepreneurs into four types.**

1. ***Innovative:*** Innovative entrepreneur is one who assembles and synthesizes information and introduces new combinations of factors of production.
2. ***Imitative***: Imitative entrepreneur is also known as adoptive entrepreneur. He simply adopts successful innovation introduced by other innovators.
3. ***Fabian:*** The Fabian entrepreneur is timid and cautious. He imitates other innovations only if he is certain that failure to do so may damage his business.
4. ***Drone:*** His entrepreneurial activity may be restricted to just one or two innovations. He refuses to adopt changes in production even at the risk of reduced returns.

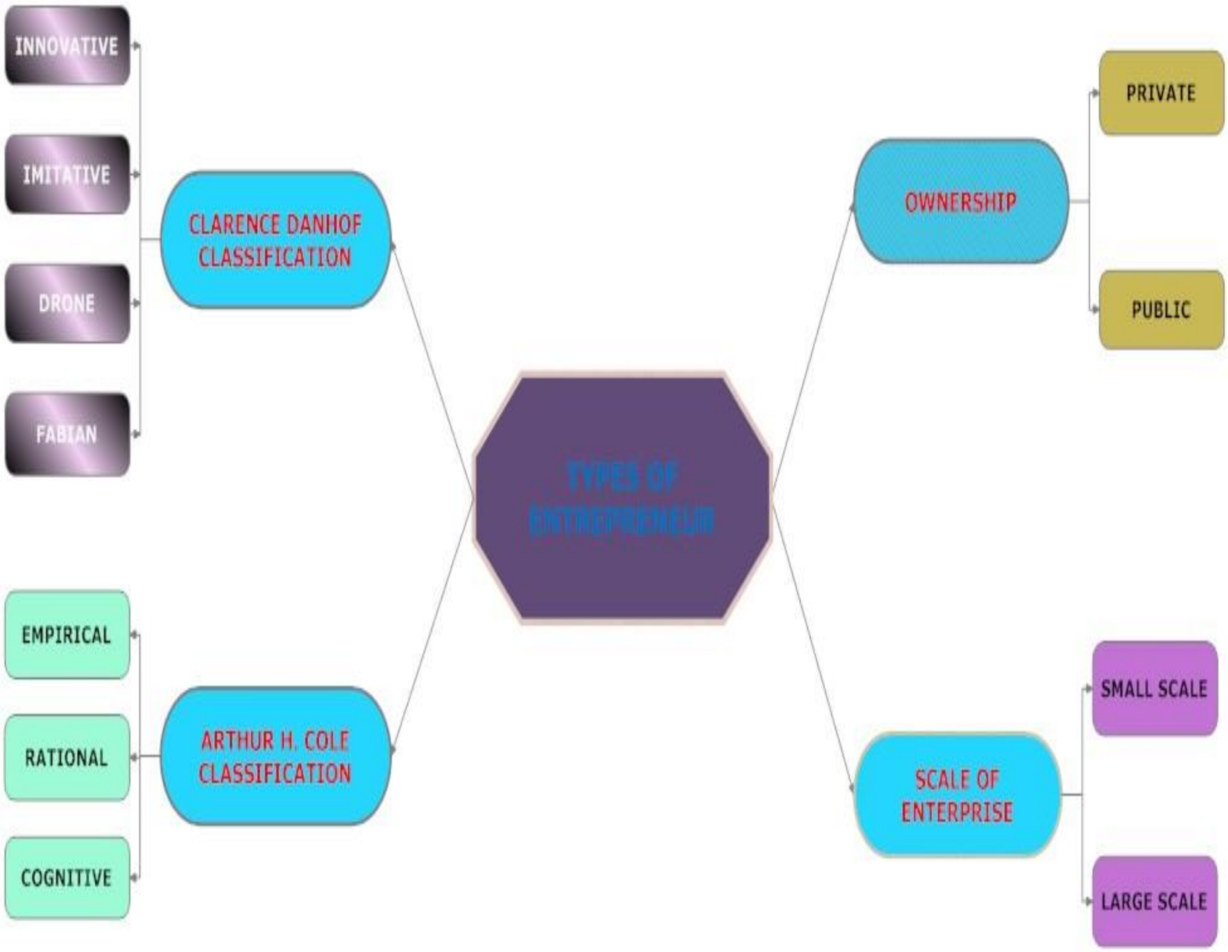
(2)Arthur H. Cole Classification: **Arthur H. Cole classifies entrepreneurs as**

1. ***Empirical:*** He is an entrepreneur who hardly introduces anything revolutionary and follows the principle of rule of thumb.
2. ***Rational****:* The rational entrepreneur is well informed about the general economic conditions and introduces changes which look more revolutionary.
3. ***Cognitive:*** Cognitive entrepreneur is well informed, draws upon the advice and services of expert's scheme of enterprise.

(3) ***Classification on the Basis of Ownership***

- ***Private:*** Private entrepreneur is motivated by profit and it would not enter those sectors of the economy in which prospects of monetary rewards are not very bright.

- ***Public Entrepreneurship:*** In the undeveloped countries Government will take the initiative to start an enterprise where capital requirements are very high and returns are less with longer pay back period .



(4) ***Classification Based on the Scale of Enterprise***

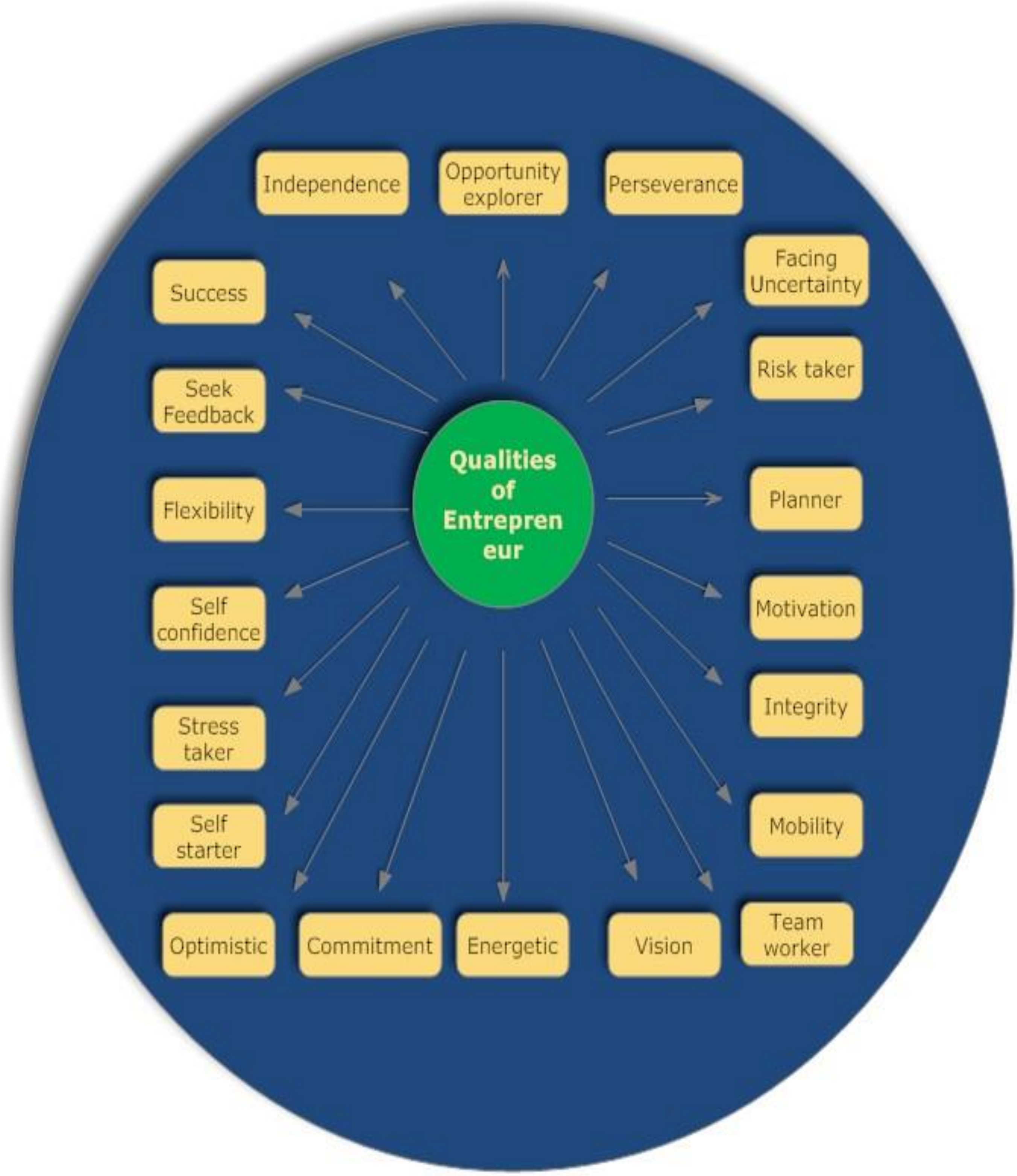
- ***Small Scale:*** This classification is very popular in the developing countries. In India, small scale enterprise is defined as an industrial undertaking in which the investment in fixed assets in farm buildings/animals/plant and machinery does not exceed Rs. 10 million. Investment limit in arm buildings/animals/plantand machinery in respect of tiny enterprises is Rs. 2.5 million irrespective of location of the unit. Small entrepreneurs do not possess the necessary talents and resources to imitate large scale production and introduce revolutionary technological changes.(Broiler farms, Dairy farms etc., in India are mainly on small scale).
- ***Large Scale:*** In the developed countries large scale enterprises are in greater numbers. They possess the necessary financial and managerial capabilities to initiate and introduce new technical changes. The result is that the developed countries are able to develop and sustain a high level of technical progress. (Layer farms in India have now become large scale investment).

QUALITIES/CHARACTERISTICS OF AN ENTREPRENEUR

Some of the essential qualities of entrepreneurs are as follows:

1. ***Success and Achievement:*** The entrepreneurs are self determined to achieve high goals in business, which strengthen them to overcome the obstacles, suppress anxieties, repair misfortune and desire expedients, to run a successful business.
2. ***Opportunity Explorer:*** A common criterion among successful entrepreneurs is their focus on opportunity rather than on resources, structure or strategy.
3. ***Integrity:*** 5™FDF6LSTF Integrity and reliability are the glue and fiber that bind successful personal and business relationships and make them endure.
4. ***Optimistic and confident :*****VFXFJFNL**As entrepreneurs, they often face obstacles and down periods and during these difficult days, their self confidence and optimism only helps them to get out of the crisis.

5. ***Risk Taker:*** Entrepreneur accepts risk. They select a moderate risk situation, rather than gambling or avoiding risk. They understand and manage risk willingly.
6. ***Energetic:*:S}TL"JFG** The extraordinary workloads and the stressful demands entrepreneurs face place a premium on energy. Many of them, fine-tune their energy levels by monitoring their diet, following a fitness regime and knowing when to relax.
7. ***Opportunity Explorer****:* Always entrepreneur identifies opportunities. He seizes the opportunity with both hands and converts them into realistic achievable goals. It may be in the form of new product, newer methods of production or marketing strategies such as location.
8. ***Perseverance:*** ;TT 5™IF;JFG4 B\T n{I"JFG Entrepreneur makes efforts and works hard till the goal is successfully accomplished. They are undeterred GLJFZL G XSFI T[J]\ by uncertainties, extreme risks and difficulties coming in the way of achievement of final goal.
9. ***Facing Uncertainty:*** Achievement oriented people tend to successfully tackle an unfamiliar situation. They go ahead with solutions for the problems even when the guidelines are not available. It is more common in the case of entrepreneurs, since they try to do newer things.
10. ***Seek Feedback****:* Entrepreneurs are quick learners. Entrepreneur likes to have prompt **Tt5Z4 R5/** and immediate feedback of their performance to improve upon continuously so as to cater to the ever changing consumers' lifestyle.
11. ***Independence:*** Entrepreneur likes to be their own master and wants to be responsible for their own decision. An entrepreneur is a job giver and not a job seeker and don't want to follow others or being dictated.
12. ***Flexibility:*** Entrepreneur makes decisions time to time based on the prevailing situations. Successful entrepreneur does not hesitate in revising their decision. Entrepreneur is a person with open mind, not a rigid person.
13. ***Planner:*** Entrepreneur frames realistic IYFY"JFNL business plans and sets goals and follows them rigorously ;BTF>YL to achieve the objectives in a stipulated time limit. They plan meticulously RMS;F>YL and execute it. Though the plan seems to be out of the world, they have the vision and ability to achieve it.
14. ***Self Confidence:*** Entrepreneur directs his abilities towards the accomplishment 5ZL5]6" SZJ] of goals with the help of his strengths.
15. ***Motivator:*** A distinguishing character which separates entrepreneur from the rest of the flock is his ability to motivate his workers. Entrepreneur influences and initiates people and make them think in his way and acts accordingly. They could improve the productivity of their employees by their motivation.
16. ***Stress Taker:*** Entrepreneur as a focal point will make many right decisions which may involve lot of physical and emotional stress. While decision making he keeps his cool even under tense situations.
17. ***Self-starter:*** *T*he ability to take the initiative, work independently and to develop own ideas.
18. ***Commitment*****:** 5™lTANnTF The willingness to make personal sacrifices tIFU through long hours and loss of leisure time. More than any other factor, total dedication in the work is the unique quality of an entrepreneur.
19. ***Ability to move*****:** As an entrepreneur, he should always move ahead as success comes with overcoming setbacks.
20. ***Vision*****:** Entrepreneurs know the path and direction they have to travel. They have clear vision of what their farms can be and go after it.
21. ***Team work*****:** Entrepreneurs always believe in team work and motivate it among the workers.



Functions of an entrepreneur:

These are the functions performed by anentrepreneur .

1.**Planning of the project**:He is the organizer to conceive the idea of launching the project and to program the structure of business.

2.Management:-The entrepreneur is also responsible for the managementof business. He tries to have a least cost combination of factors of production.

3.To Face Risks: He faces uncertainly and bears risks in his business uncertainlycomprising those risks against which it is not possible to insure. He also faces therisk of other producers may enter the market.

4.Distribution of Rewards: He is responsible of distributing the rewards to allfactors of production. He pays the reward in the shape of rent, wage, and interestand bears the risk of profit or loss himself.

5.Sale of Products: An entrepreneur is also responsible of marketing, advertising.He wants to maximize his profits by selling his product in the market.

6.Scale of Production: He decided the scale of business in according with the provision of capital. Then, he takes the decision of what where and how to produce goods.

7.Joint stock Organization: In a partnership, the entrepreneurial functions aredivided between the partners. But in public limited company, the board of directors takes this responsibility with nationalized enterprise; the entrepreneurialdecisions are left to the government or a body to which government has delegatedits powers.

8.Identifyingentrepreneurial opportunity: – There are many opportunities in theworld of business. These are based on human needs like food, fashion, education,etc., which are constantly changing. These opportunities are not realised bycommon man, but an entrepreneur senses the opportunities faster than others do.An entrepreneur therefore, has to keep his eyes and ears open and requireimagination, creativity and informativeness.

9.Turning ideas into action:– An entrepreneur should be capable of turning hisideas into reality. He collects information regarding the ideas, products, practicesto suit the demand in the market. Further steps are taken to achieve the goals inthe light of the information collected.

10.Feasibility study: The entrepreneur conducts studies to assess the marketfeasibility of the propo sed product or services. He anticipates problems andassesses quantity, quality, cost and source s of inputs required to run theenterprise. Such a blue print of all the activities is termed as a 'business plan' or a'project report'.

11.Resourcing:– The entrepreneur needs various resources in terms of money,machine, material, and men to running the enterprise successfully. An essentialfunction of an entrepreneur is to ensure the availability of all these resources.

12.Setting up of the Enterprise:– For setting up an enterprise the entrepreneur mayneed to fulfil some legal formalities. He also tries to find out a suitable location,design the premises, install machinery and do many other things.

13.Managing the enterprise:– One of the important function of an entrepreneur is torun the enterprise. He has to manage men, material, finance and organize production of goods and services. He has to market each product and service,after ensuring appropriate returns (profits) of the investment. Only a properlymanaged organisation yields desired results.

14.Growth and Development:– Once the enterprise achieves its desired results, theentrepreneur has to explore another higher goal for its proper growth anddevelopment. The entrepreneur is not satisfied only with achieving a set goal butconstantly strives for achieving excellence.

Forms of entrepreneurship: (Sole proprietorship, partnership, corporation, cooperative, joint stock company, Private and Public Limited Company).

TYPES OF BUSINESS OWNERSHIP

- Key types of Business ownership are Sole Proprietorship, Partnership and Corporate.
- Liability, taxes, and financing options will be the deciding factors when choosing the appropriate business structure for an entrepreneurial venture. Whether the business is organized as a partnership or as a corporation could affect the management process, ability to receive a loan and the type and cost of benefits the business can offer.

SOLE PROPRIETORSHIP

- *Sole proprietorship* is the easiest, oldest, and most popular form of business to create. Sole proprietorship usually involves one person owning and operating a business; the owner and business is the same person. The owner is the only one responsible for the activities of the business. This form of business is usually a service business that is handled and operated by one person. Eg. Veterinary Consultants, Auditors.

- The factors associated with the sole proprietorship, along with their advantages and disadvantages, are as follows:
  - Profits are taxed as income to the owner personally.
  - Tax rate is lower than the corporate tax rate.
  - Owner has complete control of the business.
  - There is unlimited liability for company debts.
  - Little reporting is required, and government regulation is minimal.

Sole Proprietorship	
Advantages	**Disadvantages**
• easy and inexpensive to create • one owner has complete authority over the business • taxes are not separate from the owner's; usually at a lower rate • no certificate of incorporation • no bylaws, minutes, stock shares • all profits go to owner • higher flexibility	• full liability for debts, etc. • higher risk of losing personal assets, such as car, home, etc. • personal responsibility for workers' injuries • no one to take over if owner becomes sick • difficult to obtain finances for business • requires more money invested by owner • temptation to mix business money with personal money • only as successful as the skills, abilities, and talents of the owner • business dies when owner dies

- Normally, farmers are sole proprietors. They operate their farming businesses as the owner or boss of the working operation. Any other business owner who operates under the status of 'self-employed' also falls within this category of sole proprietor, such as the local electrician, plumber, and mechanic. Farmers do not have to apply for government certificates or status because they are assuming full responsibility for the business.
- The sole proprietorship is the oldest, simplest, and most common form of business entity. It is a business owned by a single individual. For tax and legal liability purpose, the owner and the business are one and the same. The proprietorship is not taxed as separate entity. The earnings of the business are taxed at the individual level, whether or not they are actually in cash. There is no vehicle for sheltering income. For liability purposes, the individual and the business are also one and the same. Thus, legal claimants can pursue the personal property of the proprietor and not simply the assets used in the business.

PARTNERSHIP

- *Partnership*involves two or more persons who unite in the operation and management of a business venture. This type of partnership may be established for legal or tax purposes. The prospect of becoming a partner in a business can be an incentive to new employees. Most effective partnership arrangements include professional service businesses, such as accounting and law firms.
- Some aspects associated with the partnership form of business are as follows:
  - Business is subject to little government regulation.
  - Business is relatively easier to establish.
  - Formal partnership agreement is highly recommended to address possible conflicts that could arise in future.
  - Each partner is liable for all debts.
  - All profits are taxed as income to the partners according to the percentage of ownership.
  - Business name must be registered with the Registrar of Companies.
- A clearly written agreement containing the partnership terms is essential.
- Have a clear and realistic agreement that anticipates future incidents.
- Include a buy-sell agreement in which terms are provided for the departure of one or more partners from death, disability, retirement, or resignation.

- Consider carrying life insurance on each partner, so the partnership can pay the remaining partner's estate for the value of his or her interest in the business.

Partnership	
Advantages	**Disadvantages**
• share ideas and skills among partners • secure investment capital more easily • tax rates lower than corporation • more flexibility of ownership and income	• personality conflicts and relationship strains • liable for each other's actions • difficulty in obtaining financing • a partner's bankruptcy may affect the other partners • can't sell business unless all partners agree

Private Limited Company

Private limited company is a one

- Has a minimum paid-up share capital of Rs.1 Lakh or such higher capital as may be prescribed; and
- By its Articles Association:
  - Restricts the right of transfer of its share;
  - Limits the number of its members to 50 which will not include:-
    - Members who are employees of the company; and
    - Members who are ex-employees of the company and were members while in such employment and who have continued to be members after ceasing to be employees;
- Prohibits any invitation to the public to subscribe for any shares or debentures of the company; and
- Prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives.

Public Limited Company

- The Company defined under section 3(1)(iv) of the Companies Act, 1956 is a public company which-
  - Is not a private company;
  - Has a minimum paid-up capital of Rs. 5 lakhs or such higher capital as may be prescribed;
  - Is a private company but subsidiary of a public company.

Private Companies deemed to be Public Companies

- Certain private companies are deemed to be public companies by virtue of section 43 A, viz.-
  - When 25% or more of its paid-up share capital is held by one or more body corporate;
  - When its average annual turnover (during the last 3 years) exceeds Rs. 25 crores;
  - When it holds 25% or more of the paid-up share capital of Public Company; or
  - When it accepts or renews deposits from the public after making an invitation by an advertisement.

CORPORATION

- A *corporation*is a business that is chartered or registered by the state and that operates separately from the owner or owners. The advantages and disadvantages of this business form are as follows:

Corporation	
Advantages	**Disadvantages**
• easier to raise money/capital (issuing shares of stocks) • limited liability of owners, only owing for what is invested • better status for employees (pensions/retirement, dividends) • easier to change ownership	• expensive to set up and organize • profits taxed twice • extensive record keeping and paperwork

- Limited Liability Corporations are the most recent form of business, combining the best of both worlds (partnerships and corporations).
- *Advantages*
  - Limited liability of corporation members
  - Not liable for company's debts
  - Tax advantages of a partnership
  - Shareholders only taxed once
  - Popular among professionals (doctors, lawyers, etc.)
  - Owners risk only their investment
  - Personal assets not at risk
- *Corporations*are legal entities comprised of persons who have obtained a charter legally recognizing the corporation as a separate entity that has its own rights, privileges, and liabilities that are separate from the individuals that form the corporation. The Corporation can own assets, borrow money, and perform business functions without directly involving the owners.
  - Most complex form of business corporation
  - Comprised of three groups of people: shareholders, directors, officers
  - Subject to more regulations than sole proprietorships and partnerships
  - Earnings subject to double taxation (the corporation is taxed and shareholder dividends are taxed)
  - Limited liability
  - Not a total protection from lawsuits
- The largest businesses in India, such as Venkateswara Hatcheries Ltd ,SugunaChicken,TCS and Infosys are examples of Corporations. They encompass such a wide array of businesses and involve so many investors and stockholders that their liability and security are ensured.

Introduction to financial management: concept, function, analysis of financial statement, sources of capital (banks, venture capitals, etc.).

Financial Management is a vital activity in any organization. It is the process of planning, organizing, controlling and monitoring **financial** resources with a view to achieve organizational goals and objectives.

Cash Management:A goal of the cash management function is to make certain the business enterprise always has the resources it needs to meet its financial obligations on time. A cash deficit compared to what the owner forecast can cause serious harm to the company's image and operations.

Planning and Forecasting: The financial management aspect of planning involves accurately forecasting the company's revenues, expenses and resulting net profit. The business owner uses the forecast -- sometimes called a budget -- as a tool to manage the company. Significant negative variances to forecast indicate that the business environment and his company's performance in the marketplace were not what he assumed they would be when he created his annual plan. Analyzing these variances focuses his attention on changes he needs to make to his strategies or operations to get the company back on course to reaching its goals.

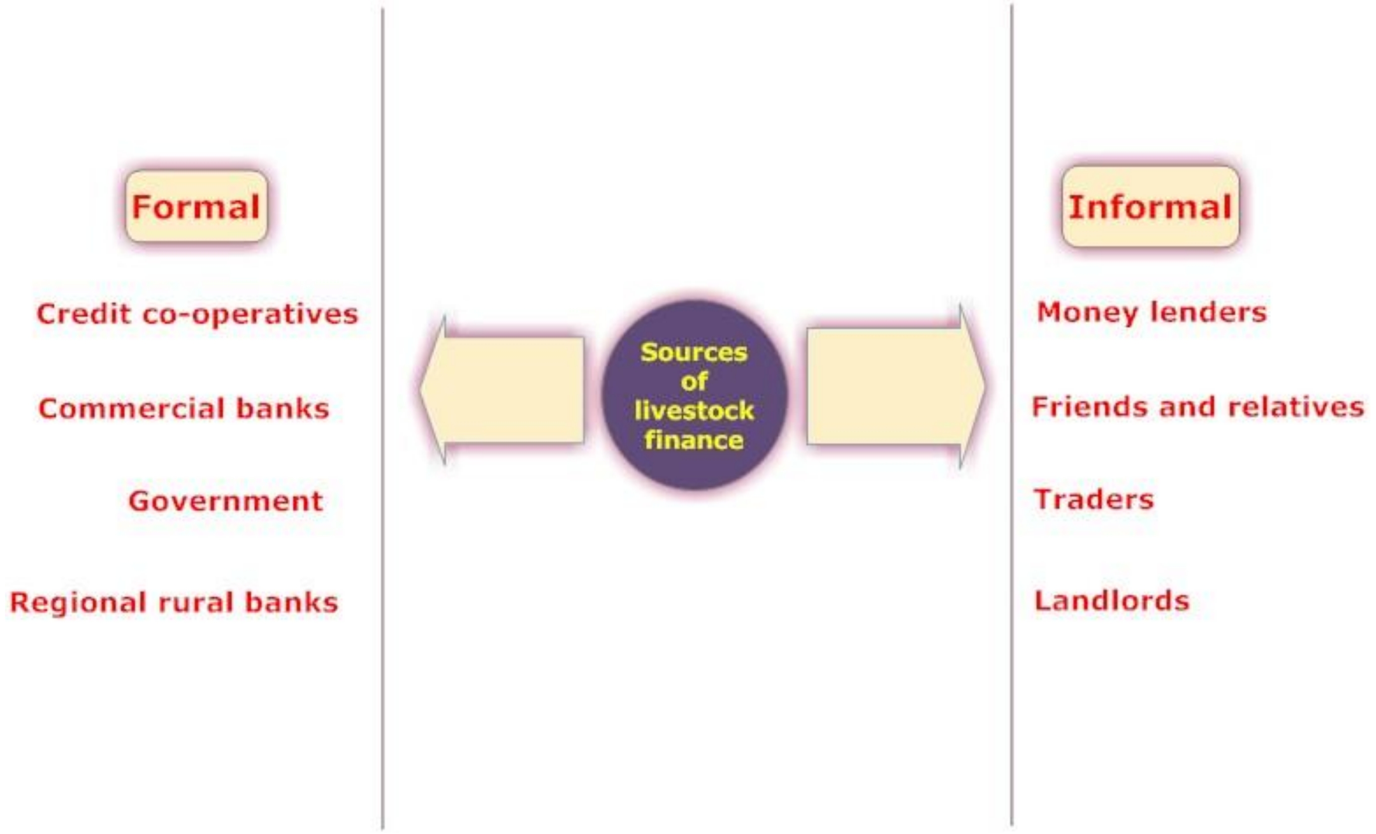
Financial Reporting:A business owner and his management team require timely and accurate reports in order to make decisions and run the company effectively. The staff members responsible for financial management must determine the key pieces of information the owner and his team need for decision making. They then design reports to provide this information in a format that is most useful to the management team. The most significant metrics vary by the type of company.

Capital Structure: Start up companies often need to obtain outside capital from wealthy individuals or venture capital firms in order to fund the company until it reaches the breakeven point. As the company grows, it may need additional infusions of capital to fund expansion. The financial management function determines the best form of capital for the venture -- debt, equity or a combination -- how much is required and when it is needed.

Sources of capital:

- Formal sources

- Credit co-operatives
  - Commercial banks
  - Government
  - Regional Rural Banks
- Informal sources
  - Money lender
  - Friends and relatives
  - Traders
  - Landlords



FINANCIAL ANALYSIS OF ACCOUNT

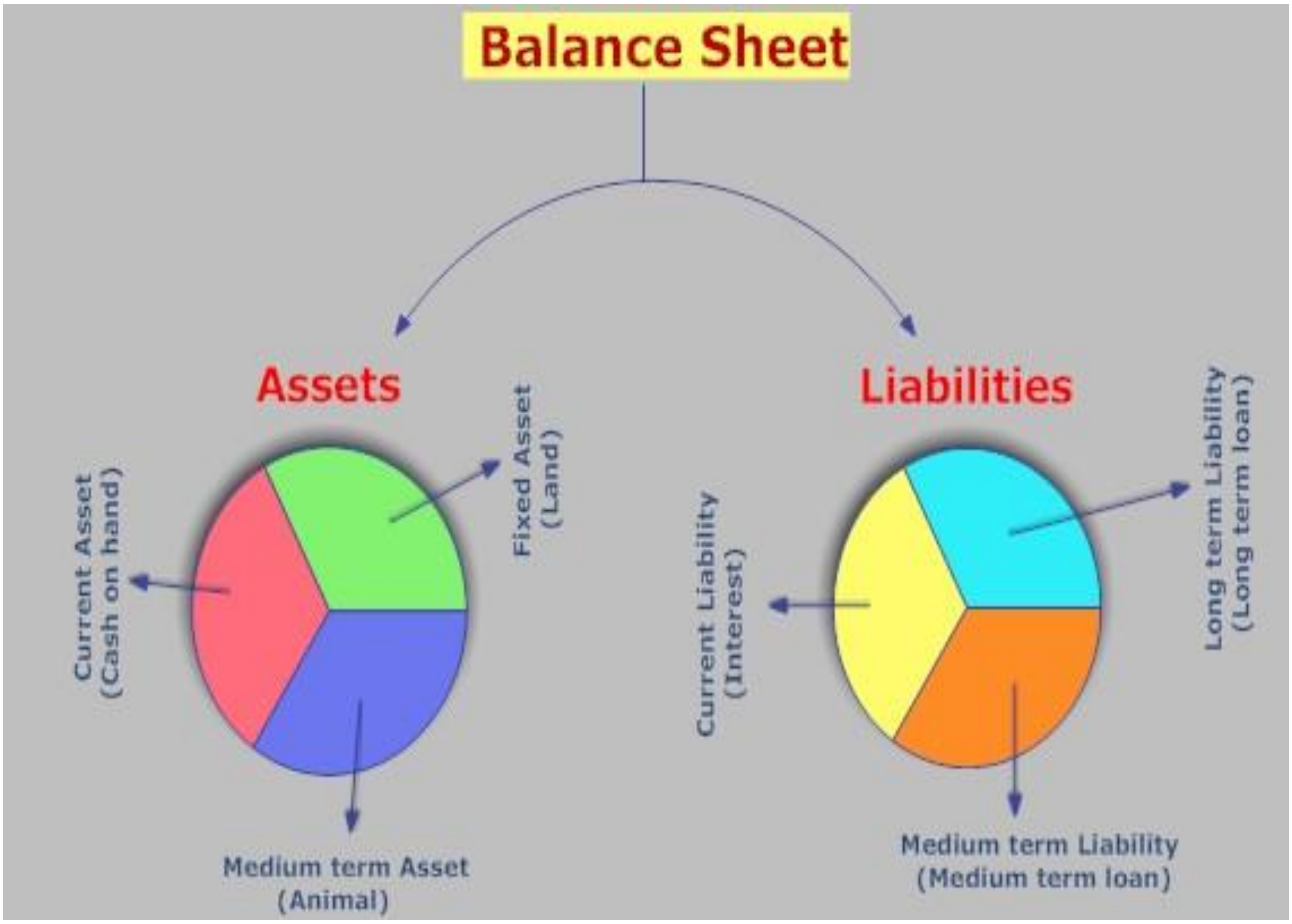
FINANCIAL STATEMENT

Some of the financial statements useful to know the financial structure and position of any livestock enterprise are listed below.

- Balance Sheet
- Profit and Loss Statement
- Cash Flow Statement

BALANCE SHEETA balance sheet is a summary statement of all the assets and liabilities of a business at a given point of time.

- To be precise, it presents the net value of assets and liabilities in a concise form at a given time and is usually prepared towards the end of the financial year.
- Balance sheet is also known as *Net Worth statement.*
- In a typical Balance sheet, the assets are listed on the left hand side and liabilities are listed on the right hand side.
- Apart from this, at the bottom of right hand side of balance sheet Net worth or Equity is mentioned.
- Generally the left hand side values are equal or balances the right hand side values and hence this statement is called as Balance sheet.



An *Asset*may be defined as a property which a farmer/firm owns. A *Liability* is the amount of money owed by the farmer/firm to others. On the basis of liquidity, assets/liabilities are classified into

- *Current assets*
  - The assets which are used up in one production cycle and which can be easily converted into cash.
  - Eg. Cash on hand, accounts receivable, market securities, inventories etc.,
- *Medium term assets*
  - The assets which are used up in production process for more than one year and upto 5 years.
  - Eg. Animals, equipments etc.,
- *Fixed assets*
  - The assets which are used up in production process over a long period and which cannot be easily converted into cash.
  - Eg. Land, buildings, machinery etc.,
- *Current Liabilities*
  - They refer to short time commitments of the business/farmer which has to be repaid within the current year.
  - Eg. Accounts payable, taxes payable, interest payable.
- *Working/Medium term loans*
  - They refer to commitments of the business farmer which could be deferred at present but the due falls in the next season and their time period ranges from 1 – 5 years.
  - Eg. Medium term loans for Animals or small machinery such as chaff cutter loans etc.,
- *Deferred Liabilities*
  - They refer to long term loans and other such commitments which could be repaid over a period of 5-15 years.
  - Eg. Long term loans for land, feed mill, hatchery etc., .
- *Net Worth/Equity*
  - It is the difference between the total assets and total liabilities in the business.

- The most liquid current asset is cash in hand and the least liquid current asset is inventory.Eg. Milk can.
- The most liquid current liability is money at call and the least liquid asset is long term loans.

Model of balance sheet

Assumptions

- An entrepreneur has a land of 2 acres, worth of Rs.500000/- He has khoa producing unit worth of Rs.50000/- In his current account in Indian Bank he has Rs. 25000/- Taxes payable for this year is Rs. 20000/- Wealth tax is Rs. 5000/- He borrowed Rs. 10000/- from his neighbour. He has inventory worth of Rs.30000/- He has ice cream mix unit worth of Rs. 100000/- He has bank deposit of Rs.25000/- He bought loan from bank which must be paid within 3 years. He also borrowed loan for land development of Rs. 200000/-.

Balance sheet of Dairy processing unit business as on -			
Liabilities	**Amount in Rs.**	**Assets**	**Amount in Rs.**
Current Liability		Current assets	
1. Taxes payable	20000	1. Current account balance	25000
2. Wealth tax	5000	2. Inventories	30000
3.Neighbour borrowing	10000	3. Bank deposit	25000
	35000		80000
Medium term liability		Working assets	
1. Bank loan	100000	1. Khoa unit	50000
		2. Ice cream unit	100000
	100000		150000
Long term Liability		Fixed assets	
1. Land development loan	200000	1. Land	500000
	200000		500000
Total Liability	335000	Total Assets	730000
Networth = Total Assets – Total Liability = Rs. 395000/-			

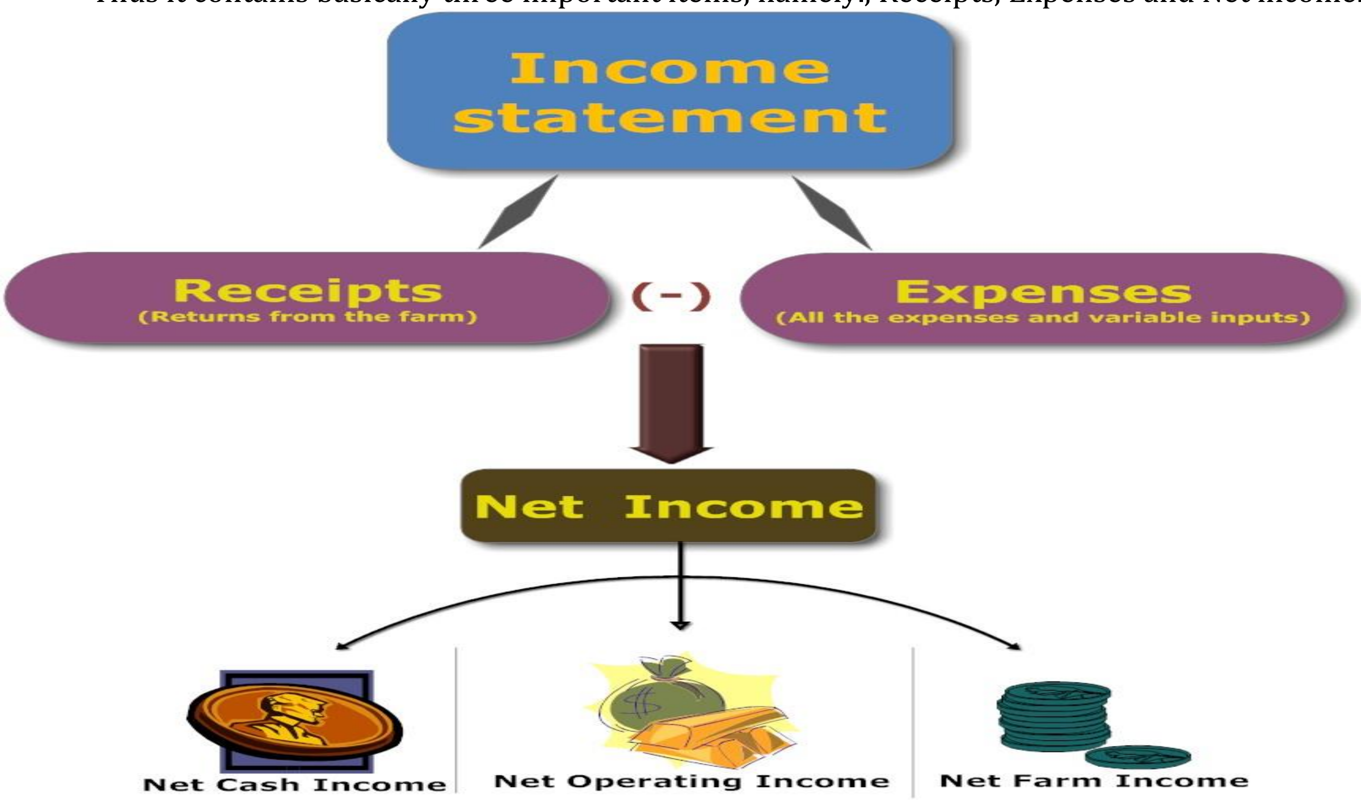
TEST RATIOS The balance sheet is analysed by estimating various ratios to understand the exact financial position and stability of the farm business.

- *Current Ratio*
  - Current Ratio = Total current assets/ Total current liabilities
  - Current ratio indicates the capacity of the farmer to meet immediate financial obligations (liquidity).
  - A ratio of more than one indicates a favourable position of the farm business.
- *Intermediate or working Ratio*
  - Intermediate Ratio =Total current assets+Total intermediate assets/ Total current liabilities+ Total intermediate liabilities.
  - Working ratio indicates the liquidity position of the farm business over an intermediate period of time, ranging from 2 to five years.

- Here, there is time for the farmer to build up the farm business to improve his liquidity position.
    - The ratio should bemore than one.
- *Net Capital Ratio*
    - Net Capital Ratio= Total assets/ Total current liabilities.
    - NCR indicates the solvency position of the farmers and more than one indicates that the funds of the institutional agencies are safe.
    - A consistently increasing ratio over the years reveal the sound financial growth of the farm business.
- *Acid test ratio or Quick ratio*
    - Acid test ratio or Quick ratio= Cash receipts+Accounts receivable+marketable securities available in more than one year/ Total current liabilities.
    - Indicates adequacy of cash and income surpluses to cover all current liabilities during the period of one to two years.
- *Current liability Ratio*
    - Current liability Ratio = Current liabilities/Owner's equity which indicates the farmer's immediate financial obligations against the net worth and a ratio of less than one indicates a healthy performance of the farm business.
- *Debt-equity Ratio (Leverage Ratio)*
    - Debt-equity Ratio = Total debts/Owner's equity which reflects the capacity of the farmer to meet the long term commitments also.
- *Equity-value Ratio*
    - Equity-value Ratio = Owner's equity/Value of assets.
    - Highlights the productivity gained by the farmer in relation to the assets.

PROFIT AND LOSS STATEMENT (INCOME STATEMENT) Profit and Loss statement is an important financial statement employed to assess the performance of farm business.

- It shows the operational efficiency of the farm business in terms of receipts, expenses, profits and losses.
- Generally it is prepared by the entire farm for one agricultural year.
- However, it may also be prepared over a period of time.
- So, we can know the trend in receipts and expenses which indicates the success or failure of a farm business.
- Thus it contains basically three important items, namely., Receipts, Expenses and Net income.



Receipts

- They include returns from all the enterprises in the farm.
- It also includes the appreciation in the value of assets, gifts, many other types of receipts etc.,.
- However the returns from the sale of capital assets such as land, buildings, machinery, etc. are not counted as receipts.

Expenses

- All the expenses and the variable inputs are taken as operational expenses which includes the interests on working capital.
- The fixed expenses include, depreciation, interests on fixed capital, rental value of owned land, land revenue, etc.
- The amount spent on the purchase of any capital asset does not come under expenses.

Net Income

- It is calculated in three different ways.
    - *Net Cash Income*
        - This is worked out by reducing total cash expenses from the total cash receipts.
    - *Net Operating Income*
        - It is calculated by reducing the total operational expenses from the gross income.
    - *Net Farm Income*
        - It is worked out by deducting total fixed expenses from the net operating income.
- Of the three types of net incomes, net farm income is the best measure and is most frequently used for assessing the performance of farm business.

$$\text{Opening Ratio : } \frac{\text{Total Operating Expenses}}{\text{Gross Income}}$$

$$\text{Fixed Ratio : } \frac{\text{Total Fixed Expenses}}{\text{Gross Income}}$$

$$\text{Gross Ratio / Input - Output Ratio : } \frac{\text{Total Expenses}}{\text{Gross Income}}$$

CASH FLOW STATEMENT This is also known as cash flow summary or cash flow budget or flow of funds statement.

- Cash flow statement is a summary of cash inflows and cash outflows of a business organization in a particular period, say a season or a year.
- It is usually prepared for the future, hence the name cash flow budget.
- The merit of this particular statement is that, it helps to assess the time at which the funds are required for farming and other allied enterprises, sources from which these can be raised, the purpose for which the loan is required, the need of sale and purchase of capital assets, the time and quantum of repayment, etc.
- Cash flow statement is prepared at the beginning of the agricultural year and checked every quarterly.
- For convenience, quarterly checks are made
- *Cash Receipts*
    - Cash Balance
    - Total Operating Sales
    - Total Capital Sales
    - Non-farm income
    - Borrowings
    - Total

- *Cash Expenses*
    - Operating Expenses
    - Capital Investment
    - Family Living Expenses
    - Payment of Previous year's Debts
    - Payment of ST Loans and Installments on Investment Loans
    - Total
- *Cash Balance is the difference between Cash Receipts and Cash Expenses*

Advantages of Cash Flow Budget

- It is a summary of all the financial matters of the farmer in a comprehensive report.
- This helps
    - to estimate the total credit needs (Short term, Medium term and Long term) of the farmer along with time and quantum;
    - to plan the repayment schedule,
    - in making purchases and sales at the appropriate time thereby helping to minimize the credit dependence, so that the farmers can keep limits to avoid wastages
    - to keep ready input requirements well in advance so that the last minute rush can be avoided
    - to know the farm household's expenditure pattern and enable the farmer to exercise a check on farm costs,
    - the farmer in preparing the farm business plans for the ensuing years,
    - the banker for revising the scale of finance, rescheduling loans, etc., and
    - finally, as a tool of financial control to the farmer.

BREAK EVEN ANALYSIS In any business, there is a point where total costs become equal to total revenues and that point is called as Break Even Point and the corresponding output is known as Break Even Output (BEO).

- This means that at this point, the business is making no profit/no loss.
- Break even point is the minimum point of average total cost.
- A farmer must produce atleast this amount of product to cover the total cost of production.
- Whatever is produced above this point will be the profit for the farmer.
- The point where the farmer recoups his investment is the Break Even Point.

There are two approaches to measure the Break Even Point:

- *Linear Approach*
    - Here the sale price of output remains constant for all the output sales.
    - Here the total cost curve and the total revenue curve are linear that is these two curves are straight lines, where the total revenue curve cuts the total cost curve in the Break even point and the corresponding output is known as Break even output .

Break Even Point = Total Fixed Cost/(Selling Price per Unit of Output – Variable Cost per Unit of Output)

- Margin of safety
    - The margin of safety of a farmer is the difference between its normal capacity and break even output.
    - Margin of safety indicates the shock absorbing capacity of the farmer in times of risk and uncertainty.
    - In other words it reflects the financial strength of the enterprise.
    - Margin of safety = Normal capacity – Break even output
    - Margin of safety in monetary terms = Revenue of the total output – Revenues from Break even output.
- *Curvilinear approach*
    - Here the total revenue changes over the period of time, since the price changes, one output sales to the other.

- Generally the curvilinear approach is used for perennial crops and also in business where the gestation period is very long.

Shut down point

- Shut down point is the minimum point of average variable cost.
- A farmer must produce atleast this amount so that he will be able to cover the variable cost of production.
- If the total revenue curve goes below this point, it is better to close the business instead of incurring losses.
- So this point is called as Shut down point.

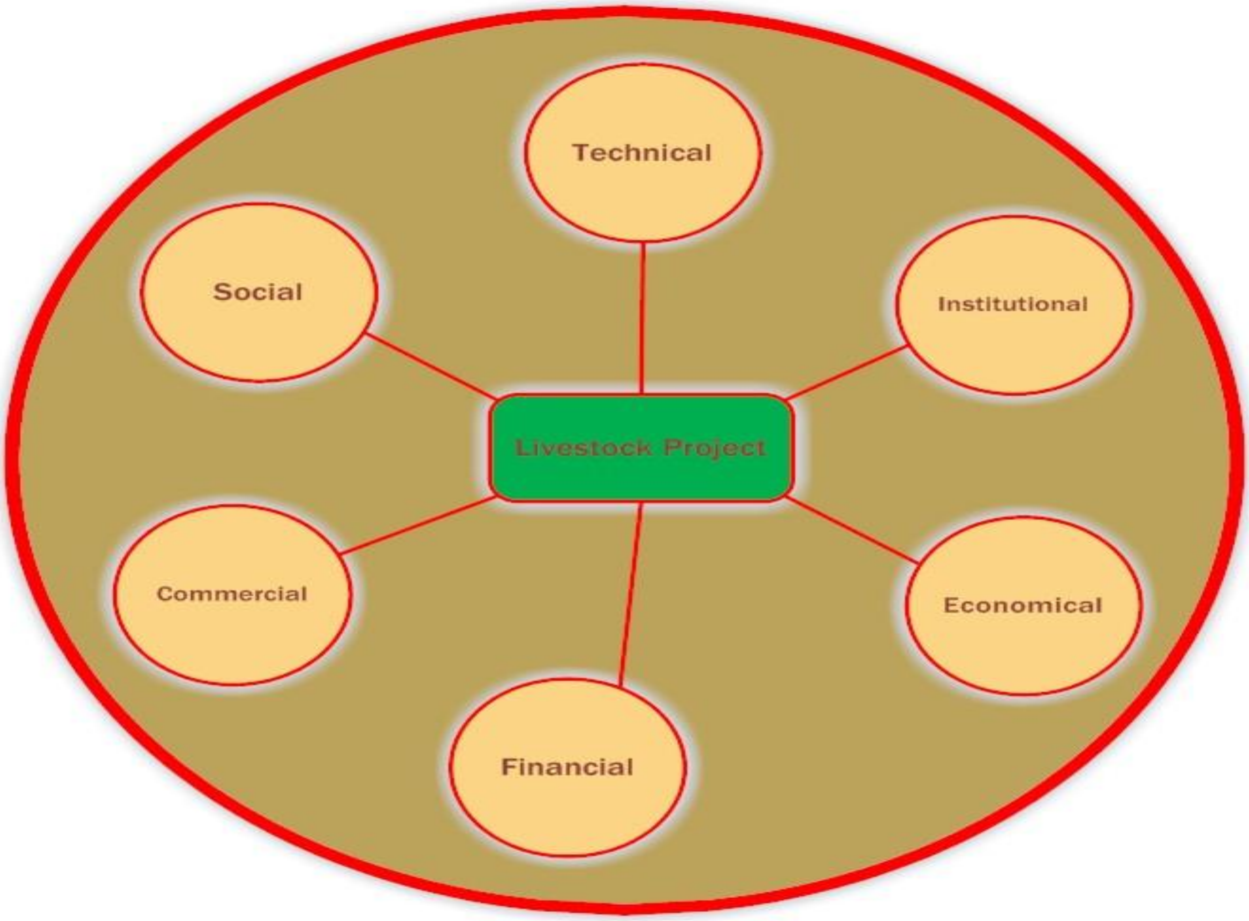
units	TFC	SP	VC	VC/unit	SP-VC	vc/sp	1-vc/sp	TR	Profit
500	800000	2500	200000	400	2100	0.16	0.84	1250000	100000
BEP	380.9524								
BEP Rs.	952381								
mos	119.0476								
mos	297619								
%MOS	76.19048								
%MOS	76.19048								
profit	428.5714								

Project appraisal- Introduction, importance, techno-economic feasibility, criteria of project evaluation (discounted and non-discounted), capital budgeting, etc.

PROJECT PREPARATION AND ANALYSIS:

INTRODUCTION

- Projects are the cutting edge of development. Perhaps the most difficult single problem confronting livestock administrators in developing countries is implementing development programs. Much of this can be traced to poor project preparation. Project preparation is clearly not the only aspect of livestock development or planning. Identifying national livestock development objectives, selecting priority areas for investment, designing effective price policies, and mobilizing resources are all critical. But for most agricultural/livestock development activities, careful project preparation is the best available means to ensure efficient, economic use of capital funds and to increase the chances of implementation on schedule. Unless projects are carefully prepared in substantial detail, inefficient or even wasteful expenditure is almost sure to result-a tragic loss in nations short of capital.
- To formulate and analyze effective projects, those responsible must consider many aspects that together determine how remunerative a proposed investment will be. All these aspects are inter-related.
- All must be considered and reconsidered at every stage in the project planning and implementation cycle.
- A major responsibility of the project analyst is to keep questioning all the technical specialists who are contributing to the project plan to ensure that all relevant aspects have been explicitly considered and allowed for.
- Project preparation and analysis is divided into six aspects: technical, institutional – organizational – managerial, social, commercial, financial and economic.



Approaches in preparation of Livestock Entrepreneurial project

- Different approaches are followed while preparing entrepreneurial project on livestock.
- Based on the technical knowledge, past experience and guidance from the subject matter specialist, the entrepreneur himself can choose the activity, budget, location, etc. taking into account the resources available with him and the market demand for the products.
- After choosing the activity, he can assess it's profitability by preparing the entrepreneurial project.
- While preparing the livestock project , one has to analyze the project in the above mentioned six dimensions.

TECHNICAL ASPECTS

- The technical analysis concerns the project inputs (supplies) and outputs (production) of real goods and services. It is mostly concerned with the standard and other qualitative aspects of the product.
- The technical analysis will examine the possible technical relations in a proposed livestock project: the climate in the region of the project and their potential for livestock production, the availability of water, both natural (rainfall, and its distribution) and supplied (the possibilities for developing irrigation, with its associated drainage works); the livestock species suited to the area; the production supplies and their availability; the potential and desirability of mechanization; and diseases prevalent in the area and the kinds of vaccination that will be needed. On the basis of these and similar considerations, the technical analysis will determine the potential yields from the livestock, the coefficients of production, and the possibilities for further expansion. The technical analysis will also examine the marketing and storage facilities required for the successful operation of the project, and the processing systems that will be needed.
- It is extremely important, and the project framework must be defined clearly enough to permit the technical analysis to be thorough and precise.
- The other aspects of project analysis can only proceed in light of the technical analysis.

- Good technical staffs are essential for this work; they may be drawn from consulting firms or technical assistance agencies abroad.

INSTITUTIONAL - ORGANIZATIONAL - MANAGERIAL ASPECTS

- A whole range of issues in project preparation revolves around the overlapping institutional, organizational and managerial aspects of projects, which clearly have an important affect on project implementation. The socio-cultural patterns and institutions of those, the project will serve must be considered.
- The organizational proposals should be examined to see that the project is manageable. The analyst must examine the ability of the available staff to judge whether they can administer such large-scale activities such as dairy processing unit, integrated poultry complex (feed mill, hatchery, layers unit and processing), etc. When managerial skills are limited, provision may have to be made for training.

SOCIAL ASPECTS

There is a greater need for analysts to consider the social patterns and practices of the clientele a project will serve. More and more frequently, project analysts are also expected to examine carefully the broader social implications of the proposed investments. The project should not affect the local sentiments of the region. Cattle rearing for beef marketing, pork production, sales tanneries, etc. are some of the examples. If the social aspect is not taken care of, the project may face severe opposition from the local people, which could ruin the profitability of the project. Though the project may be technically and economically feasible, it could not be processed, if it affects the local people sentiments or their livelihood.

COMMERCIAL ASPECTS

On the output side, careful analysis of the expected market for the project's production is essential to ensure that there will be an effective demand at a remunerative price. Where will the products be sold? Is the market large enough to absorb the new production without affecting the price? If the price is likely to be affected, by how much? Is the product meant for domestic consumption or for export? Does the proposed project produce the grade or quality that the market demands? Since the product must be sold at market prices, a judgment about future government price supports or subsidies may also be considered. If the demand is not estimated or forecasted accurately, it may end in over production or missed sale opportunities.

Financial aspects

The financial aspects of project preparation and analysis encompass the financial effects of a proposed project on each of its various participants. In livestock projects, the participants include farmers, private sector firms, public corporations, project agencies, and perhaps the national treasury.

The farm budget becomes the basis for shaping the credit terms to be made available. The analyst must judge whether farmers will need loans to finance on-farm investment (and if so, what is the margin money the farmers should invest from their own resources) or to meet some production costs, and whether seasonal short-term credit should be provided for working capital to finance inputs and pay for hired labor. In long term projects , the analyst should judge whether the farmers have adequate capacity to lead their life till the returns are expected or any special financial arrangements need to be created. The analysis of farm income will also be helpful in assessing the incentives for farmers to participate in the project. What will be the probable level of change in farm income? When it is expected? How likely are price changes or fluctuations could affect farm income? What will be the effect of subsidy arrangements on farm income, and what changes in government policy might affect the income earned by farmers?

Economic aspects

The economic aspects of project preparation and analysis require a determination of the likelihood that a proposed project will contribute significantly to the development of the farm economy and total economy and whether it justifies using the scarce resources it required. The point of view taken in the economic analysis is that of the society as a whole. The financial and economic analyses are thus complementary-the financial analysis takes the viewpoint of the individual participants and the economic analysis that of the society.

INVESTMENT ANALYSIS

CAPITAL BUDGETING/PROJECT APPRAISAL/CAPITAL EXPENDITURE DECISIONS

- Generally in livestock projects, the investments are made during different time periods and the associated benefits are spread overtime.
- These investments and returns are not comparable as such without adjusting for their time value.
- Thus the time value of money has to be necessarily taken into reckoning in the investment analysis of agricultural projects.

Capital expenditures are defined as investments to acquire fixed or long lived assets from which a stream of benefits is expected. Such expenditures represent an organization's commitment to produce and sell future products and engage in other activities. The estimate of the costs and benefits of a capital project should show the difference that results from making the investment. The important information is the change in cash flows as a result of undertaking the project, i.e. the differential principle.

Approaches to Preparation of Entrepreneurial Project on Livestock

While formulating a livestock project several factors, such as, kind of enterprise, amount of investment, availability of inputs and skilled labour,market potential, veterinarian's availability and nearness, sale price, scope for further expansion have to foreseen and worked out. Apart from this, availability of bank loans, their requirements, technical and financial detail would have to be sketched out. It starts from project planning, cost estimation, modalities of formulating the project and also availing the bank loans.

Fixed Investment Estimates

- Fixed investments consist of all the costs necessary to bring the project to full operation. These include the construction of animal sheds, purchase of animals, purchase of equipment costs, installation, training, commissioning, initial spoilage, spare parts inventory, etc.

Working Capital Estimates

- The analysis includes estimates of all investments required for a project. The project may require increases (or decreases) in cash, accounts receivable, accounts payable, or inventory. These changes in working capital should be included in the calculation as should the changes to these at the end of the economic life of the project.

Economic Life

- It is often difficult to estimate the life of a project (i.e., its planning horizon). The criterion is the continued ability to generate satisfactory cash flows or other intangible benefits. The economic life of a project is the lesser of its physical life, technological life or product-market life.
- *Physical Life* - Physical life represents the time taken for an asset to become physically worn out so that it can no longer be efficiently maintained and must be replaced.
- *Technological Life* -Technological life is the period of time that elapses before an even newer machine or process becomes available which would make the proposed machine or process obsolete.

Market Estimates

- *Market Study* - A market study forecasts sales revenue through the life of a project. It should describe fully all aspects of the company's position in the market and estimate the degree of marketing risk associated with the venture. It provides information on demand, supply and price trends in the overall market, and specific forecasts of market share, sales volume, net returns and selling costs, as well as what competitors are or may be doing in the market place.
- *Competitive Factors* - The demand forecast should indicate the competitors and their market share. The productive capacity in existence and potentially available would then be assessed in relation to the forecasted demand to show the volume and timing of expansion needs. Competitors' expansion possibilities and economics should also be considered along with their product and technology life cycles.

- *Price Estimation* - The estimation of price trends is frequently the most difficult area of market forecasting. However, analysis of the supply/demand balance and estimation of competitors' economics can provide a guide. The elasticity of demand in relation to the price may also be considered. A careful study of the product life cycle is often needed since, in the early development stages of a new product, the price is often high; it falls as demand levels off at maturity, and then declines further as new substitutes appear on the market.

Operating Cost Estimates

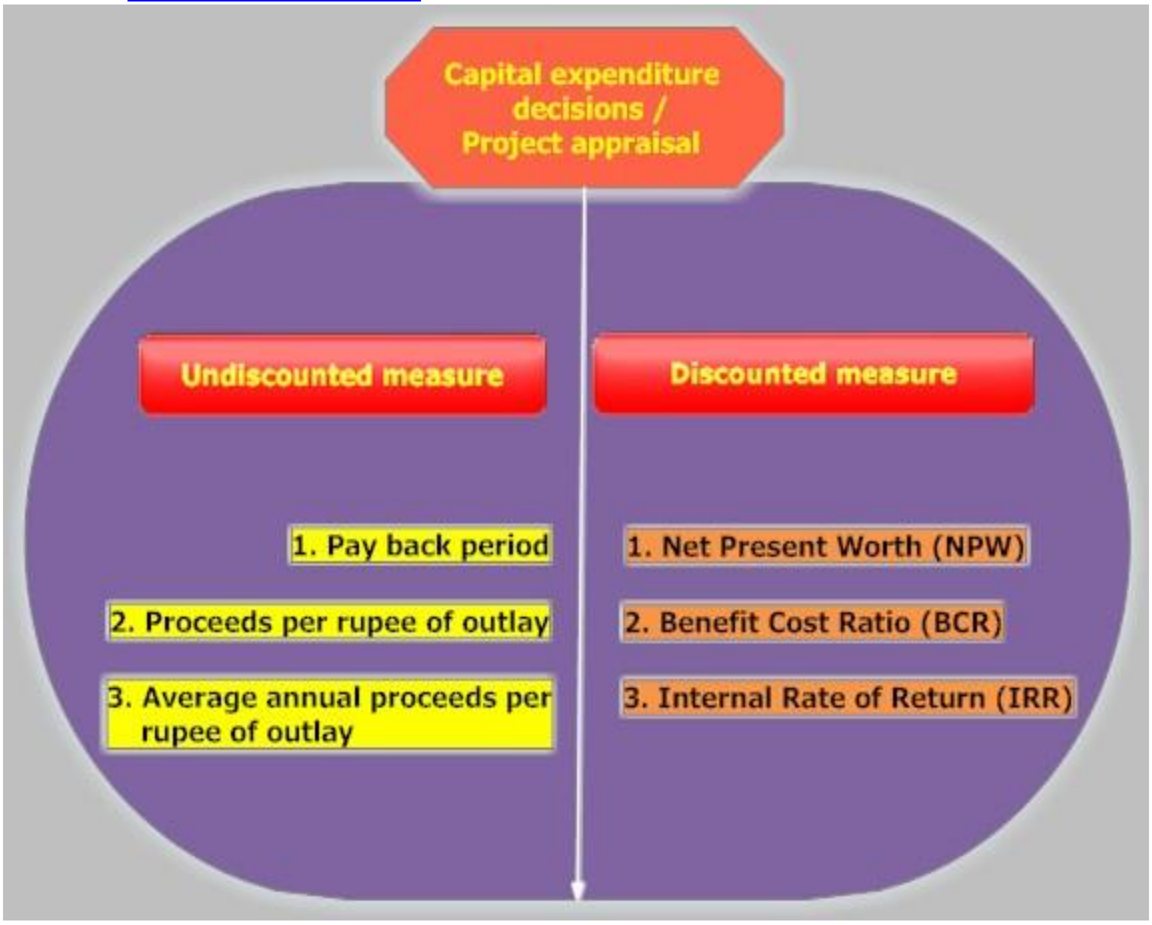
- Cost of feed and fodder, labour(Casual), health care charges, electricity and other miscellaneous costs are usually included.

Risk Analysis

- Risk exists in capital budgeting when more than one outcome may occur. A quantitative evaluation of a capital expenditure proposal requires that several predictions be made, often far into the future. As a general rule, the risk associated with achieving an expected cash inflow or outflow in a given year increases as one moves further into the future as there are more factors in the long term which cannot be foreseen but which will affect cash flows.

Evaluation Techniques

- Several techniques are available to arrive at a financial decision regarding a capital expenditure project. The project appraisal techniques are broadly classified under two heads namely.,
    - Undiscounted Measures
    - Discounted Measures



UNDISCOUNTED MEASURES

 hey are the naïve (simple) methods of ranking agricultural projects. They don't consider the time value of money and simply compare the cost and returns and rank the project.

 The three important undiscounted measures are

- Pay back period
- Proceeds per rupee of outlay
- Average annual proceeds per rupee of outlay

PAY BACK PERIOD

- Payback period refers to the period of time required for the return on an investment to 'repay' the sum of the original investment. For example, a Rs.1000 investment which returned Rs.500 per year would have a two year payback period. Shorter payback periods are obviously preferable to longer payback periods, other things being equal.
- Payback period as a tool of analysis is often used because it is easy to apply and easy to understand for most individuals.
- The payback period is considered a method of analysis with serious limitations and qualifications for its use, because it does not properly account for the time value of money, risk, financing or other important considerations such as the opportunity cost.
- It is generally agreed that this tool for investment decisions should not be used in isolation.
- Alternative measures of 'return' preferred by economists are net present value and internal rate of return. An implicit assumption in the use of payback period is that returns to the investment continue after the payback period.
- There is no formula to calculate the payback period, excepting the simple and non-realistic case of the initial cash outlay and further constant cash inflows or constant growing cash inflows.
- Pay back period is a simple technique of ranking projects based on the actual period of time in which one can get back total investment.

P = I/E

- where, P is the pay back period
- I is the total investment made in the project and
- E is the net cash revenues / net revenues per annum.

PROCEEDS PER RUPEE OF OUTLAY

Proceeds per Rupee of Outlay = Total Proceeds / Total Investment

Average annual proceeds per rupee of outlay

INTERNAL RATE OF RETURNS (IRR)

- It is the rate of return per rupee invested in an agricultural project over its life span.
- For example if the IRR is 30 per cent in a livestock project, it means that this project gets an average annual return of Rs. 30/ per Rs. 100/ invested in the project over its life span.
- It is the rate of return at which the present value of total cash flows in a project is equal to zero. In other words, it is the discount rate at which the NPW of the project is zero, i.e.

$$\text{IRR} = \text{NPW} = 0 \text{ or IRR} = \sum_{t=1}^{n} \frac{Pt}{(1+r)^t} \quad \text{(Ignore the signs)}$$

$$\text{IRR} = \text{Lower discount rate} + \text{Difference in discount rate} \times \frac{\text{Present worth of cash flow at lower discount rates}}{\text{Total of present worth of cash flow of both discount rate}}$$

$$\text{Present worth} = \text{Future value} / (1 + r)^t$$

- For a project to be viable it should have a BCR of one or greater than one at the opportunity cost of capital and a NPW of zero or greater than zero at the opportunity cost of capital and the discount rate for IRR should be greater than the opportunity cost.

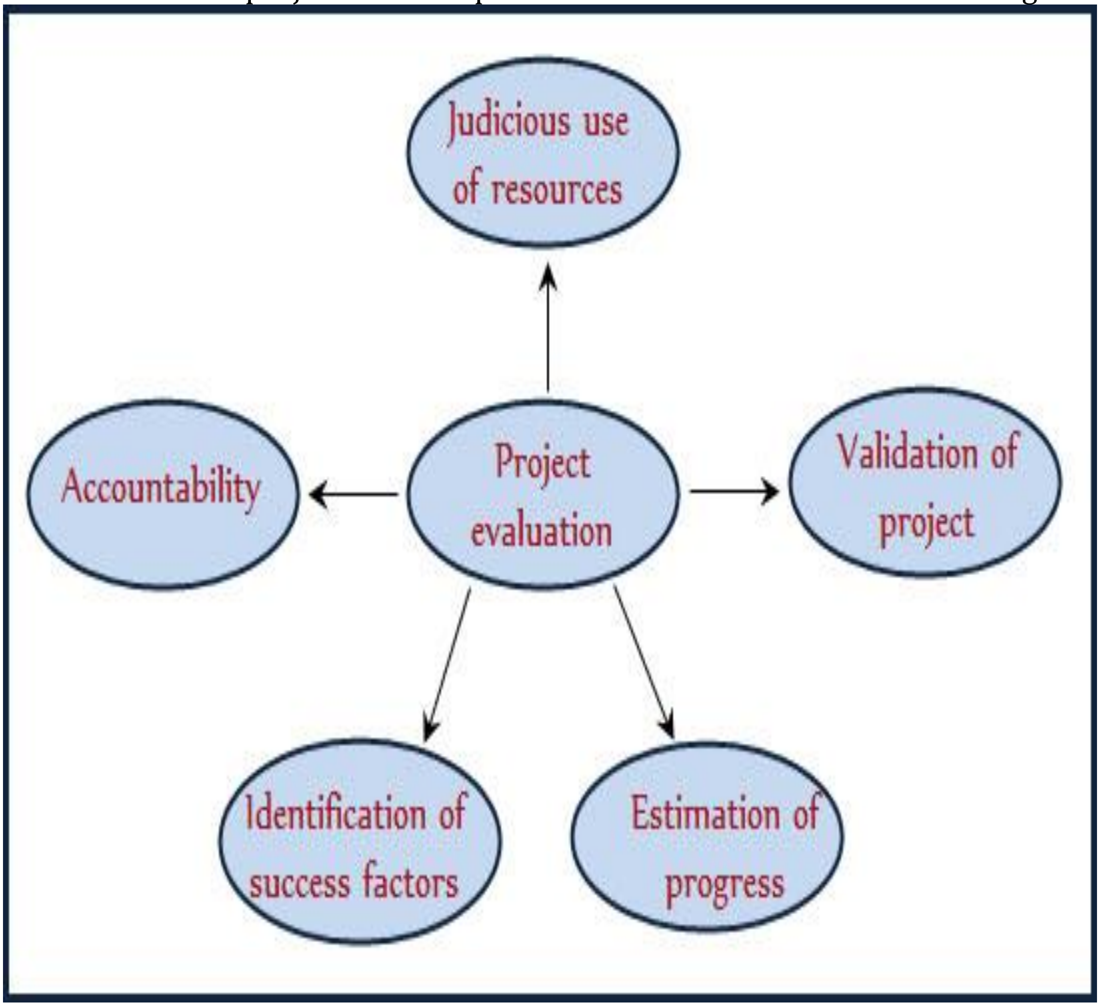
PROJECT EVALUATION

INTRODUCTION

- A project is a specific plan or design presented for consideration.
- It is a location specific activity with specific objectives, time and cost limitations and of non-repetitive nature.
- In banking, projects refers to an activity in which financial resources are expended to create capital assets that produce benefits over an extended period of time and which logically lends itself to planning, financing and implementing as a unit whereas, UNIDO defines a project as a

proposal for an investment to create and or develop certain facilities in order to increase the production of goods/services in a community over a certain period of time.

- Projects are common term used by many to denote specific action plans.
- Project can be long term or short term, limited or comprehensive, single sector concentrated or multi sector concentrated.
- Project Evaluation is a step-by-step process of collecting, recording and organizing information about project results, including short-term outputs (immediate results of activities, or project deliverables), and immediate and longer-term project outcomes (changes in behaviour, practice or policy resulting from the project).
- Common rationales for conducting an evaluation are:
    - response to demands for accountability;
    - demonstration of effective, efficient and equitable use of financial and other resources;
    - recognition of actual changes and progress made;
    - identification of success factors, need for improvement ;
    - validation for project staff and partners that desired outcomes are being achieved.



Importance

- Evaluating project results is helpful in finding answers to key questions like
    - What progress has been made?
    - Whether the desired outcomes were achieved, if not why?
    - Are there ways that project activities can be refined to achieve better outcomes?
    - Do the project results justify the project inputs?

DEFINITION

Project: can be defined thus as

- A scientifically evolved work plan
- Devised to achieve specific objectives
- Within specified time limit
- Consuming planned resources

IDENTIFYING THE PROJECT

- The first phase of project management is concerned with identifying the project to achieve the desired objectives.
- The initial task coming under project identification is to find out the sources of the project.
- Agencies like government organisations, international institutions like WHO, World Bank, UNDP, Non GovernmentalOrganisations can serve as the better source of projects.
- Own Experience, Progressive farmers, successful entrepreneurs, technical experts, Bankers, Media, National priorities and Thrust areas of Development also serve sources for Identification of Projects.

PROJECT NEED ANALYSIS

1. The aspects included under project need analysis are the beneficiaries (target group), problem, solutions, and decisions.
2. The problem should exhibit the necessity of immediate intervention.
3. The focus should be to identify the beneficiaries (target group).
4. The solutions should solve the original problem.
5. The decision to take up the project lies on how these three aspects problem, solutions and beneficiaries are important to project intervention.
6. **PROBLEM FORMULATION AND STATEMENT OF THE PROBLEM**
7. The crux of the project lies in the problem formulation process.
8. The project team should have detailed understanding of the problem, scope, intervention areas and the out come of the project to be hypothesized.
9. Based on a multi phased understanding and analysis, describe the problem to be addressed and resolved.

PROJECT PLANNING

- Project planningcan be defined as a scientific and systematic process, in which logical linkages are clearly established among various element of projects. Successful implementation of the project lies on effective project plan.
- Based on the anticipated goals and objectives the project planning shall be made.
- The project plan is the blue print of the project.
- Effective planning gives proper direction in the implementation of the project and it further helps in adequate monitoring and evaluation.
- For the implementation of plan, an activity chart has to be prepared.
- The activity chart consists of all the proposed activities in the implementation process, including the start date, calendar for the entire project, dates of monitoring and evaluation periods, finishing stages, series of out puts, slack time and responsible person who is going to coordinate the activities etc.

PROJECT BUDGET

1. The project budgeting phase is in the project formulation phase.
2. Two types of budgets are to be made.
3. One is the cost category budget (materials, administration, capital; expenditures etc) and the second is the activity budget.
4. This project budget is to calculate the cost of each project inputs.
5. The estimation of the project cost should be made on fairly realistic sense of financial values.
6. In the multi year projects the inflation rate also has to be anticipated in advance.

Capital budgeting, and **investment appraisal**, is the planning process used to determine whether an organization's long term investments such as new machinery, replacement of machinery, new plants, new products, and research development projects are worth the funding of cash through the firm's capitalization structure (debt, equity or retained earnings). It is the process of allocating resources for major capital, or investment, expenditures.[1] One of the primary goals of capital budgeting investments is to increase the value of the firm to the shareholders.

Capital Budgeting Process

Definition: The **Capital Budgeting** is one of the crucial decisions of the financial management that relates to the selection of investments and course of actions that will yield returns in the future over the lifetime of the project.

Business plan for enterprise

In reality there is no standard format for the presentation of a good business plan. Business plans vary in content and size according to the nature and size of the business concerned and on the emphasis that is placed on certain critical areas as opposed to others.

THE CONTENTS

Every business plan should address a number of fundamental issues without which it would not be complete. These issues can be grouped under six major areas that are the pillars of every business activity whether large or small. These are:

- Sales and Marketing
- Operations
- Human Resources
- Finance
- Information & Communication Technologies (ICT)
- Information Management

ESSENTIAL CONTENTS OF A BUSINESS PLAN IN A SIMPLE FORMAT

The table below lists the important elements of a business plan and offers some simple points that need to be taken into consideration in regard to each section. It is worth noting that these points are by no means exhaustive and are meant to serve only as examples. The table is intended to provide you with a simple format upon which to base your business plan.

The format provides you with a framework for presenting your thoughts, ideas and strategies in a logical, consistent and coherent manner. In other words the business plan format helps you to clarify your own ideas and present them clearly to others.

1. Executive Summary
2. Enterprise Description
3. Product or Service Description
4. Industry Analysis
5. Competition Analysis
6. Swot Analysis
7. Marketing Sub-Plan
8. Operations Sub-Plan
9. Human Resources Sub-Plan
10. The Budget
11. Liquidity
12. Financial Sub-Plan
13. Selected Options and Critical Measures
14. Milestone Schedule

Institutions promoting entrepreneurship in India.

NATIONAL INSTITUTE FOR ENTREPRENEURSHIP AND SMALL BUSINESS DEVELOPMENT (NIESBUD)

- The National Institute for Entrepreneurship and Small Business Development (NIESBUD) was established in 1983 by the Ministry of Industry (now Ministry of Small Scale Industries), Govt. of India, as an apex body for coordinating and overseeing the activities of various institutions/ agencies engaged in Entrepreneurship Development Particularly in the area of small industry and small business.
- The Institute which is registered as a society under Govt. of India Societies Act (XXI of 1860). The policy, direction and guidance to the Institute are provided by its Governing Council whose Chairman is the Minister of SSI.

1 ENTREPRENEURSHIP DEVELOPMENT INSTITUTE OF INDIA

- The Entrepreneurship Development Institute of India (EDI), an autonomous body and not-for-profit institution, set up in 1983, is sponsored by apex financial institutions, namely the IDBI Bank Ltd, IFCI Ltd. ICICI Ltd and State Bank of India (SBI).
- The Institute is registered under the Societies Registration Act 1860 and the Public Trust Act 1950. The EDI has been selected as a member of the Economic and Social Commission for

Asia and the Pacific (ESCAP) network of Centres of Excellence for HRD Research and Training. EDI as a member of the Network will have interactive access to information on other 123 member institutions via Internet.

- EDI will also be invited to collaborate with ESCAP in the development and delivery of a series of ESCAP HRD courses to train social development personnel working to alleviate poverty in the region.

2 INDIAN INSTITUTE OF ENTREPRENEURSHIP

- With an aim to undertake training, research and consultancy activities in the small industry sector focusing on entrepreneurship development, the Indian Institute of Entrepreneurship (IIE) was established in the year 1993 at Guwahati by the erstwhile Ministry of Industry (now Ministry of Small Scale Industry), Government of India as an autonomous national institute.
- The policy direction and guidance is provided to the Institute by its Board of Management whose Chairman is the Secretary to the Government of India, Ministry of Small Scale Industries.

3 MINISTRY OF SMALL SCALE INDUSTRIES

- Ministry of Small Scale Industries is the nodal Ministry for formulation of policy, promotion, development and protection of small scale industries in India.
- The Ministry of Small Scale Industries (SSI) designs and implements the policies through its field organizations for the promotion and growth of small scale industries.
- The Ministry also performs the functions of policy advocacy on behalf of small scale industries (SSI) sector with other Ministries/Departments.

4 SMALL INDUSTRIES DEVELOPMENT ORGANISATION (SIDO)

- SIDO was established in 1954 on the basis of the recommendations of the Ford Foundation. Over the years, it has seen its role evolve into an agency for advocacy, hand holding and facilitation for the small industries sector. It has over 60 offices and 21 autonomous bodies under its management.
- These autonomous bodies include Tool Rooms, Training Institutions and Project-cum-Process Development Centres. SIDO provides a wide spectrum of services to the small industries sector. These include facilities for testing, training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, pollution and energy audits, etc.
- SIDO provides economic information services and advises Government in policy formulation for the promotion and development of SSIs.

5 THE NATIONAL SMALL INDUSTRIES CORPORATION LIMITED (NSIC)

- The National Small Industries Corporation Ltd., an ISO 9001:2000 Company, was established in 1955 by the Government of India with a view to promote, aid and foster the growth of Small Industries in the country.
- NSIC continues to remain at the forefront of industrial development throughout the country, with it's various programs and projects, to assist the small scale sector in the country.
- The Corporation provides integrated Technology, Marketing and Financial support to Small Scale Sector.

6 NATIONAL INSTITUTE FOR SMALL INDUSTRY EXTENSION TRAINING (NISIET)

- The NISIET, since its inception in 1960 by the Government of India, has taken gigantic strides to become the premier institution for the promotion, development and modernization of the SME (Small and Medium Scale Enterprises) sector.
- An autonomous arm of the Ministry of Small Scale Industries (SSI), the Institute strives to achieve its avowed objectives through a gamut of operations ranging from training, consultancy, research and education, to extension and information services.

7 SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

- Small Industries Development Bank of India (SIDBI) was established in April 1990 under an Act of Indian Parliament as the principal financial institution for promotion, financing , development of industry in the small scale sector and co-ordinating the functions of other institutions engaged in similar activities.

- Since its inception, SIDBI has been assisting the entire spectrum of SSI Sector including the tiny, village and cottage industries through suitable schemes tailored to meet the requirement of setting up of new projects, expansion, diversification, modernisation and rehabilitation of existing units.

8 THE KHADI AND VILLAGE INDUSTRIES COMMISSION (KVIC)

- The Khadi and Village Industries Commission (KVIC) is a statutory body created by an Act of Parliament (No.61 of 1956 and as amended by Act No. 12 of 1987). Established in April 1957, it took over the work of the former All India Khadi and Village Industries Board. The broad objectives that the KVIC has set before it are :
- The social objective of providing employment,
- The economic objective of producing saleable articles, and
- The wider objective of creating self-reliance amongst the poor and building up of a strong rural community spirit.
- The KVIC is charged with the planning, promotion, organisation and implementation of programs for the development of khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.

Entrepreneurship development programmes

INTRODUCTION

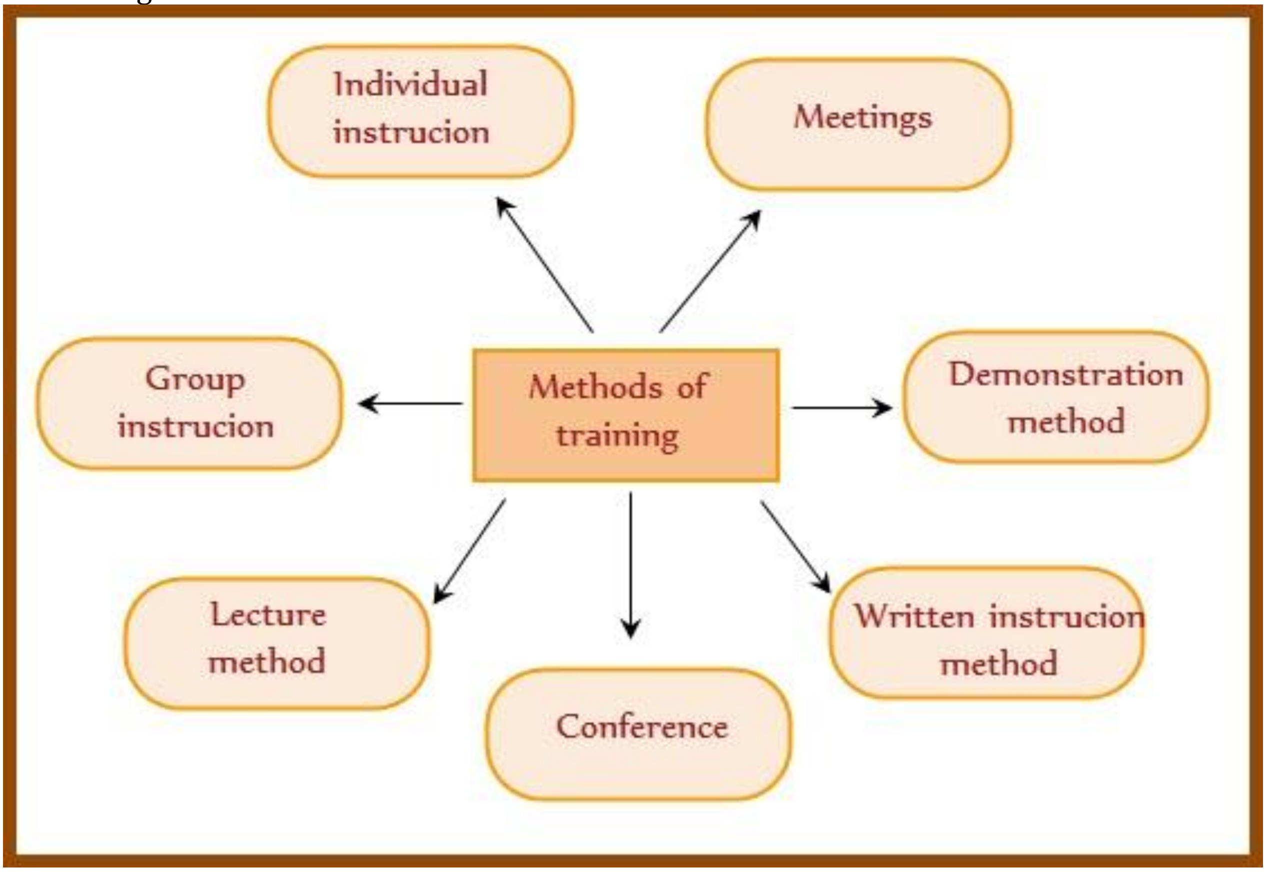
- Various government agencies are offering different training programmes for different skill level for tapping, developing and harnessing the entrepreneurial qualities of rural people so as to empower them.
- Khadi And Village Industries Commission (KVIC)
- Government of India has approved the introduction of a new credit linked subsidy programme called Prime Minister's Employment Generation Programme (PMEGP) by merging the two schemes that were in operation till 31.03.2008 namely Prime Minister's RojgarYojana (PMRY) and Rural Employment Generation Programme (REGP) for generation of employment opportunities through establishment of micro enterprises in rural as well as urban areas. PMEGP will be a central sector scheme to be administered by the Ministry of Micro, Small and Medium Enterprises (MoMSME).The main objective of the scheme is to generate employment opportunities in rural as well as urban areas of the country through setting up of new self-employment ventures/projects/micro enterprises.
- Self Help Groups
- SHG is a small group of rural poor, who have voluntarily come forward to form a group for improvement of the social and economic status of the members.
- It can be formal (registered) or informal.
- The concept underlines the principle of Thrift, Credit and Self Help.
- Members of SHG agree to save regularly and contribute to a common fund.
- Community Based (SC, ST, BC) Development Programmes
- Some of the online programmes which provide material, videos and clippings on Entrepreneurship include http://etl.stanford.edu/,http://ecorner.stanford.edu/podcasts.html, http://eclips.cornell.edu/entrepreneurs.do, http://www.enterprisetoronto.com/ etc.,

Importance of Entrepreneurship Development Programmes

- Ensures availability of skilled manpower at all management levels
- Enhancing abilities, potential among entrepreneurs
- Increase efficiency
- Maintain and enhance product quality
- Minimise wastages in production process
- Minimise accidents on the job
- Reduce fatigue and increase speed of work
- Standardisation in industry and internal processes

Methods of Training

- Individual instruction
- Group instruction
- Lecture method
- Demonstration method
- Written instruction method
- Conference
- Meetings



TRAINER'S TRAINING PROGRAMMES

- Enterprise Launching and Management
- EMT Accreditation Programmes
- Barefoot Managers
- Self-Employment / PMRY
- Project Formulation & Appraisal
- Planning &Organising EDPs

SMALL BUSINESS PROMOTER'S PROGRAMMES

1. Orientation for Weaker Sections/DWACRA Functionaries
2. Grassroot Management Training
3. Women Empowerment through Enterprise Development
4. Orientation Programmes for Voluntary Organisations
5. Small Business Development
6. Micro-Enterprise for Women/SC/ST/Weaker Section
7. TRYSEM/ISB Beneficiaries

DEVELOPMENT OFFICER'S ORIENTATION PROGRAMMES

- DICs - Managers and General Managers
- SIDO Officers
- Voluntary Organisations
- Income - Generating Activities
- ITI/Vocational Institute Instructors and Principals
- KVIC
- Performance Improvement and Personal Effectiveness

- Techniques for Identification & Selection of Entrepreneurs

CONTINUING EDUCATION PROGRAMMES FOR SSI ENTREPRENEURS

- Working Capital Assessment & Management
- Opportunity Identification & Guidance
- Managing & Controlling Small Business Accounts
- Marketing Strategies for small Entrepreneurs
- Managing Finance
- Creative Selling & Promotion for Small Enterprise
- Marketing Survey Methods
- TQM for Small Business
- Business Forecasting Techniques
- Export Marketing for SSI Entrepreneurs
- Accounting Business and Industry
- Strategic Management for Small Entrepreneurs
- Managing Finance SSI
- Effective Business Communication for Small Business Owners
- Leadership & Team Building Skills for Small Business Owners
- Computers for Small Entrepreneurs
- Opportunity & Support for Expansion, Diversification &Modernisation of Small Enterprises
- Small Enterprise Management Assistants Programme (Barefoot Managers)
- Enhancing Productivity & Improving Quality

INTERNATIONAL TRAINING PROGRAMMES

- Small Business Creation & Development for Women Entrepreneurs
- Development of Entrepreneurship & Entrepreneurial Skills
- Entrepreneurship for Small Business Trainers/Promoters
- Entrepreneurship Development for Business Entrants
- Micro-Enterprise Development
- Case Development
- Curriculum Development
- Entrepreneurship Development & Promotion of Income-Generating Activities
- Business Advisors' Training Programmes
- Small Business Planning & Promotion
- Besides Institute conducts country-specific entrepreneurship/small business development programmes (Already done for CIS, Nepal, Bangladesh & Fiji) or for specific international organistions (Done for UNIDO/ UNDP, ILO, Commonwealth Secretariat & USAID)

ENTREPRENEURSHIP DEVELOPMENT PROGRAMMES AT STATE LEVEL

EDP training programmes are conducted by the State Governments under various wings such as Women Development, SC/ST wings, Small and Medium Scale Industries, SHGs. Broadly, they cover the same topics as listed above. Based on the local needs, minor modifications are done to suit the local need.Generally, the EDPs are of two types (View image)

- Target specific such as
  - General
  - Women
  - Science & Technology Graduates
  - School Leavers
  - SC/OBC
  - Ex-Servicemen (Veterans)
  - Self-Employment (SEEUY, TRYSEM, PMRY etc.)
- Product/Process Oriented
  - Leather
  - Builders Hardware
  - Food
  - Plastics

- Chemicals
- Sports Goods
- Readymade Garments
- Electronics
- Information Technology etc.

Entrepreneurship DevelopmentTraining Institutes and Training Programmes offered in India

S. No.	Institute	Training Programmes offered	Duration	Eligibility
1.	National Institute for Entrepreneurship and Small Business Development (NIESBUD), NOIDA(nisebud.nic.in) An apex body established by Ministry of Industries, Govt. of India for coordinating, training and overseeing the activities of various institutions/ agencies engaged in Entrepreneurship Development Particularly in the area of small industry and small business.	• Computer hardware & networking • Entrepreneurship and Skill Development Programmes in Garment drafting & construction • Entrepreneurship and Skill Development Programmes in Mushroom cultivation • Entrepreneurship and Skill Development Programmes in Room boys • ToT Entrepreneurship Development – Capacity building under SJSRY • Entrepreneurship and Skill Development Programmes in Basic Computer Hardware Training Programme • Entrepreneurship and Skill Development Programmes in Mobile repairing • Entrepreneurship and Skill Development Programmes in sewing operator • National workshop on Entrepreneurship and skill development for urban poor • Entrepreneurship and skill development on Desktop publishing • Human Resource Development and Entrepreneurship Education Training (HRD-EE) • Small Business Planning and Promotion (SBPP) • Business Advisors' Training (BAT) • Women and Enterprise Development (WED) • Trainers Training on Entrepreneurship and Promotion of Income Generation Activities (TT-EPIGA) • Entrepreneurship for Small Business Trainers/Promoters (ESB-TP) • Trainers Training on Sustenance and Growth of Self Help Groups (TT-SHSHG)	3 days to 3 months depending upon the programme	Graduate / Diploma holders with adequate English Knowledge
2.	National Institute of Micro, Small and Medium Enterprises (NIMSME),	• Communication Skills in English and Promotion of Micro, Small and Medium Enterprises (EPMSMEs) • Communication Skills in English and Promotion of Food Processing Enterprises (EPFPE) • Communication Skills in English and Managing Micro and Small Enterprises (EMMSEs) • Empowerment of Women through Enterprises (EWE)	8-12 weeks	Graduate / Diploma holders with adequate English

	Hyderabad *(Formerly National Institute of Small Industry Extension Training (NISIET))*	• Planning and Promotion of Agro and Food Enterprises (PAFE) • Tourism and Hospitality Management (THM) • Enterprise Development through Micro Finance (EDMF) • Intellectual Property Rights (IPRs) and Implications for SMEs (IPRIS) • Capacity Building for providing Alternative Livelihood Opportunities for Poor (CBALO) • Training Methods and Skills for Managers (TMSM) • Promotion of Micro Enterprises (POME)		Knowledge
3.	Entrepreneurship Development Institute of India, Gandhi Nagar (www.ediindia.org)	• Governance & Management of Non-Profit Organizations (NPOs)/NGOs • Use of English Language in Business Communication • ICT Skills for Small Enterprise Operations • Entrepreneurial Management • Entrepreneurship & Small Business Promotion • Business Development Service Providers for Micro Enterprise and Micro Finance • Industrial & Infrastructure Project Preparation & Appraisal • Business Research Methods & Data Analysis	6 weeks	Graduate with adequate English Knowledge
4.	National Institute of Rural Development, Hyderabad (www.nird.org.in)	• Microfinance for poverty alleviation • Participatory rural development • Management of rural drinking water and sanitation projects • Natural resources management for sustainable rural livelihood • Geo informatics applications in rural development • Strategies for sustainable agriculture and rural development • Planning for poverty reduction and sustainable development • Information Technology for rural development	4-12 weeks	Senior and Middle level managers/ officers

Procurement Systems

- Another common procurement issue is the timing of purchases.
- Just-in-time (JIT) is a system of timing the purchases of consumables such as straw, fodder in quantities to meet daily procurement needs. In this system, inventories will not be maintained.
- Just-in-time is commonly used by Japanese companies but widely adopted by many global manufacturers from the 1990s onwards.

PROCUREMENT PROCESS Procurement may also involve a bidding process i.e, Tendering.

- A company may want to purchase a given product such as Chaff cutter or service such as Vaccination of birds.
- Then the farmer or Company is required to state the product/service desired and make the contract open to the bidding process.

- They may have ten submitters that state the cost of the product/service they are willing to provide.
- Then, the farmer or Company will usually select the lowest bidder.
- If the lowest bidder is deemed incompetent to provide the desired product/service, they will go far the next best price, and is competent to provide the product

PROCUREMENT STEPS First, details about the suppliers capable of fulfilling the requirements have to be gathered.

- Contact has to be established with the identified suppliers for further details such as price, quantity etc.,
- Then discussions and negotiations with the suppliers would be undertaken for price, availability, quality etc.,
- After, finalization of the deal, the product/services would be delivered and details such as shipment, delivery, and payment for the suppliers are completed, based on contract terms had been fulfilled.
- The farmer/company would then utilize the products/services and would also evaluate the products/services.
- Finally, renewal of contract would be established based on the performance of products.

Accounting: objectives, common terms.

Accounting

Accounting is basically the systematic process of handling all the financial transactions and business records. In other words, Accounting is a bookkeeping process that records transactions, keeps financial records, performs auditing etc. It is a platform that helps through many processes, for example, identifying, recording, measuring and provides other financial information.

Accounting is a very important procedure and holds great importance in people's lives. Accounting aids to a lot of financial procedures and analytics taking place every day. There are specific people for doing this job and they are known as accountants. As said earlier, accounting is the very important process and in addition, holds a lot of objectives and functions.

Objectives of Accounting

The functions of accounting facilitate the objectives of accounting. there are many objectives of accounting. For instance,

1. Accounting facilitates the systematic management of the records of the transaction and other financial data.
2. It gives an idea about the chances of profitability or failure or losses.
3. The process assists the management by helping them to take the best decisions. besides that, accounting ascertains the financial position of an organization.
4. It also helps in the evaluation of the employee and their working efficiency, in addition, communicating and spreading the accounting information to the user.
5. Accounting contributes the biggest to any organization by preventing the fraud and prevents the profit risks.

Common Terms of Accounting:

1 Business

- It is an establishment for the conduct of trade or commerce.
- It denotes activities of person or group of persons, undertaken to exchange goods and/or services with a view to earn income and profit.
- Example:
    - A manufacturing business,
    - Banking business
    - Insurance business, etc.
- Business is a semi-agent or a medium which accepts money from the proprietor or investor, pays him if profit is earned and demands from him, if loss is incurred.

2 Proprietor

- He is the owner of the business.
- He invests capital in the business with the invention of earning profit.
- He undertakes all risks involved in the business.

- He enjoys all the incomes and profits and bears all expenses and losses if any.
- He has the claims against net assets of the business i.e., total assets minus liabilities to outsiders.

3 Assets

- These are the material and non-material things or possessions or properties of the business including the amounts due to it from others.
- E.g: Land, buildings, furniture, equipment, plant, machinery, fixtures, cash, bank balance, debtor's bills receivable, stock of goods, investments, etc., are all assets.

Tangible assets

- These are assets having physical existence like cash, furniture, land, building etc.

Intangible assets

- These are assets with no physical existence. But, their possession gives rise to some benefits to owners. E.g. Goodwill, Patents, Trademarks, etc.

4 Liabilities

- These denote the amounts, which a business owes to others (other than the proprietor/s) on different accounts such as;
    - Loan from bank
    - Loan from other persons,
    - Creditors for goods supplied
    - Creditors for services rendered to the business, etc.
- Liabilities are also called creditors equity i.e., Creditors claims on assets.

5 Capital

- It is the amount invested by the proprietor/s in the business.
- For the business capital is a liability towards the owner. It is also called net worth or net assets, i.e., Assets – Liabilities = Capital.
- Capital is also called owner's equity or owner's claim against assets.

Assets = Capital + Liabilities
Or
Capital = Assets - Liabilities

- Residual value of assets is called capital
- Reserves and undistributed profits increase the capital
- Losses (which are not transferred to capital) also increase capital.

6 Equity

- Any rights or claims to assets or any interest in property or in a business is known as equity. Therefore, it denotes liabilities.
- An equity holder may be a creditor, a partner, a shareholder or a proprietor. Therefore, all liabilities of a business are the creditors equity and the capital is owner's equity.

Therefore, Assets = Capital + Liabilities
= Owners equity + Creditors equity

Accounting equation

- It is a mathematical form of saying that in any business the total assets always equal to owners equity + creditors equity.

Assets = Owners equity + Creditors equity

7 Balance sheet

- It is a statement of financial position of a business at any given time. It discloses the assets, liabilities and owners equity or capital of a business at a given time.
- The equation i.e., accounting equation is sometimes referred to as Balance Sheet equation.
- This balance sheet equation is always maintained in the accounts book keeping.
- That is a position of equality (in values) between assets on one hand and capital and liability on the other hand.

8 Debtor

- One who owes debt or money is a debtor, i.e., one who owes money to a business is a debtor.

9 Creditor

- One to whom a debt is owed or creditor is a person to whom some money is to be paid for the loan taken or service obtained or goods bought.

10 Drawings

- It is the value of the cash or goods withdrawn by the owner or proprietor for his personal or domestic purposes or use. It is opposite of capital.

11 Revenue and income

- Sales of products, merchandise (goods for sales and services) earnings by way of interest, rents, wages, salaries, commission, etc., are revenues.
- 'Revenue' is the gross money receipts which increases owners equity (capital) on one hand and also the assets (cash or account receivables) on the other hand.
- 'Income' is the money or money's equivalent earned or accrued during an accounting period increasing the total of previously existing net assets (net worths) and arising from the sales and rentals of any types of goods or services.
- Example: When goods of Rs.10,000/- are sold to Rs.15,000/-, the sum of Rs.15,000/- is the revenue, whereas Rs.5,000/- is earned over and above the original asset value of Rs.10,000/- is the income. Similarly the receipts and amounts receivable for services rendered like rent, wages, salary, interest, commission, dividend, etc. are income.

12 Expense

- It is the money spent in conducting business activities.
- It is the expenditure in return for which some benefit i.e., service is received.
- Exampe: Expenditure on clerk's salary for clerical services, money spent to pay the wages to labourers for the labour received to the business.

13 Loss

- It is depletion or decrease in the value of any asset without resulting in any revenue or benefit.

14 Service

- It is the work performed by the business to get revenue or the work obtained from others by spending for the same.
- Thus, rendering the service results in income and receiving service results in expense.

15 Goods

- These are articles bought for resale to earn profit.

16 Transaction

- It is the exchange of cash, goods or services in a business.
  - Cash transactions: is one where cash receipt or payment is involved in any exchange.
  - Credit transaction: It is the transaction wherein cash is neither received nor paid at the time of transaction, but involves exchange on credit or debit.
  - Non cash transaction: is one where the question of receipt of cash or payment of cash does not arise at all. Eg. Depreciation, return of goods, etc.

17 Books of accounts and entry

- The various books wherein transactions of varied nature of a business are entered are the books of account.

18 Entry

- Entry is the record of a transaction of a business in a journal.

19 Gross profit

- Difference between selling price and the cost price of the goods is the gross earning or gross profit of the businessman.

20 Gross loss

- Difference between cost price and selling price of goods.

21 Net profit (net income)

- Surplus remains after charging against gross profit all expenses including depreciation and other provisions properly attributable to the normal activities of the particular group.

22 Account

- Summary of similar elements in the transactions relating to a person, thing or service.

- Example:Cash account, goods account, persons account, income and expenses account, etc., short form A/c or a/c.

23 Debit and credit

- These are symbols used while recording transactions. Debit (Dr) refers to the receiving account and credit (Cr) to giving account.
- If any benefit is received or a person is a receiver of benefit the receiving or receivers account is said to be debited.
- If benefit is given or a person is a giver of benefit, the giving account or givers account is said to be credited.

24 Voucher

- It is a written document in support of a business in respect of a transaction, represented on a carbon or counter copy of a cheque or a receipted bill or an acknowledgement receipt received.

25 Receipt

- It is a written acknowledgement of a receipt of cash/money/goods, etc.
- It is an accounting document recording physical receipt of something acquired/got.

26 Folio

- It means the page (number) of a journal or a ledger (J.F and L.F)

Personnel management can be **defined** as obtaining, using and maintaining a satisfied workforce. ... According to Flippo, "**Personnel management** is the planning, organizing, compensation, integration and maintainance of people for the purpose of contributing to organizational, individual and societal goals."

Job analysis (also known as **work analysis**) is a family of procedures to identify the content of a job in terms of activities involved and attributes or job requirements needed to perform the activities. *Job analysis* provides information of organizations which helps to determine which employees are best fit for specific jobs. Through job analysis, the analyst needs to understand what the important tasks of the job are, how they are carried out, and the necessary human qualities needed to complete the job successfully.

The process of job analysis involves the analyst describing the duties of the incumbent, then the nature and conditions of work, and finally some basic qualifications. After this, the job analyst has completed a form called a *job psychograph*, which displays the mental requirements of the job.[2] The measure of a sound job analysis is a valid task list. This list contains the functional or duty areas of a position, the related tasks, and the basic training recommendations. Subject matter experts (incumbents) and supervisors for the position being analyzed need to validate this final list in order to validate the job analysis.[3]

Job analysis is crucial for first, helping individuals develop their careers, and also for helping organizations develop their employees in order to maximize talent. The outcomes of job analysis are key influences in designing learning, developing performance interventions, and improving processes.[4] The application of job analysis techniques makes the implicit assumption that information about a job as it presently exists may be used to develop programs to recruit, select, train, and appraise people for the job as it will exist in the future.[5]

Job analysts are typically industrial-organizational (I-O) psychologists or human resource officers who have been trained by, and are acting under the supervision of an I-O psychologist. One of the first I-O psychologists to introduce job analysis was Morris Viteles. In 1922, he used job analysis in order to select employees for a trolley car company. Viteles' techniques could then be applied to any other area of employment using the same process.[6]

Job analysis was also conceptualized by two of the founders of I-O psychology, Frederick Winslow Taylor and Lillian Moller Gilbreth in the early 20th century.[1] Since then, experts have presented many different systems to accomplish job analysis that have become increasingly detailed over the decades. However, evidence shows that the root purpose of job analysis, understanding the behavioral requirements of work, has not changed in over 85 years.[7]

The division of labour is the separation of tasks in any system so that participants may specialize. Individuals, organizations, and nations are endowed with or acquire specialized capabilities and either form combinations or trade to take advantage of the capabilities of others in addition to their own. Specialized capabilities may include equipment or natural resources in addition to skills and training and complex combinations of such assets are often important, as when multiple items of specialized equipment and skilled operators are used to produce a single product. The division of labour is the motive for trade and the source of economic interdependence.

After the Neolithic Revolution, pastoralism and agriculture led to more reliable and abundant food supplies, which increased the population and led to specialization of labor, including new classes of artisans, warriors, and the development of elites. This specialization was furthered by the process of industrialisation, and Industrial Revolution-era factories. Accordingly many classical economists as well as some mechanical engineers such as Charles Babbagewere proponents of division of labour. Also, having workers perform single or limited tasks eliminated the long training period required to train craftsmen, who were replaced with lesser paid but more productive unskilled workers.[1]Historically, an increasing division of labour is associated with the growth of total output and trade, the rise of capitalism, and the increasing complexity of industrialised processes. The concept and implementation of division of labour has been observed in ancient Sumerian (Mesopotamian) culture, where assignment of jobs in some cities coincided with an increase in trade and economic interdependence. Division of labour generally also increases both producer and individual worker productivity.

In contrast to division of labour, division of work refers to the division of a large task, contract, or project into smaller tasks—each with a separate schedule within the overall project schedule. Division of labour, instead, refers to the allocation of tasks to individuals or organizations according to the skills and/or equipment those people or organizations possess. Often division of labour and division of work are both part of the economic activity within an industrial nation or organization.

Resource management

Resource management is the process by which businesses manage their various resources effectively. Those resources can be intangible – people and time – and tangible – equipment, materials, and finances.

It involves planning so that the right resources are assigned to the right tasks. Managing resources involves schedules and budgets for people, projects, equipment, and supplies.

While it is often used in reference to project management, it applies to many other areas of business management. A small business, in particular, will pay attention to resource management in a number of areas, including:

- **Finances** – Can it meet current expenses or afford to invest in new equipment or staff training?
- **Staffing** – Does it have the right people for the work at hand? Will it need to hire if it gets that new client and if so, what skills will those people need to have?
- **Physical space** – Is the company's office or manufacturing space configured so that other resources can be managed for maximum efficiency?
- **Equipment** – Does it have the tools needed to do what's required?
- **Technology** – What does the business need to succeed and should financial resources be reallocated to fund what's missing?

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