

**IV/IV B.Tech (Regular) Degree Examination (NOV 2022)**

**Solution and Scheme Evaluation for**

**Industrial Management & Entrepreneurship**

**Electrical & Electronics Engineering**

**(18ME002)**

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## IV/IV B.Tech (Regular/Supplementary) DEGREE EXAMINATION

November, 2022

Electrical &amp; Electronics Engineering

Seventh Semester

Industrial Management &amp; Entrepreneurship

Time: Three Hours

Maximum: 50 Marks

Answer Question No. 1 Compulsorily.

(10X1 = 10 Marks)

Answer ANY ONE question from each Unit.

(4X10=40 Marks)

- |    |    |  |          |  |
|----|----|--|----------|--|
| 1. | a) | List any two functions of management.                    | CO1(BL1) |  |
|    | b) | Who introduced the scientific management                 | CO1(BL1) |  |
|    | c) | What is the limitation of members in partner - ship firm | CO1(BL1) |  |
|    | d) | State one difference between marketing and selling       | CO2(BL1) |  |
|    | e) | State the different types of leaderships.                | CO2(BL1) |  |
|    | f) | Name the 4P's of Marketing Mix                           | CO2(BL1) |  |
|    | g) | What is the objective of inventory control               | CO3(BL1) |  |
|    | h) | What are the Components of total quality management.     | CO3(BL1) |  |
|    | i) | List any two examples of working capital                 | CO4(BL1) |  |
|    | j) | List any two functions of an Entrepreneur                | CO4(BL1) |  |

**Unit - I**

- |    |    |  |          |           |
|----|----|--|----------|-----------|
| 2. | a) | Explain the principles of management .   | CO1(BL2) | <b>5M</b> |
|    | b) | Assess the contribution of scientific management to the development of management thought? | CO1(BL2) | <b>5M</b> |

**(OR)**

- |    |    |  |          |           |
|----|----|--|----------|-----------|
| 3. | a) | State the advantages and disadvantages of partnership business.              | CO1(BL1) | <b>5M</b> |
|    | b) | Explain joint-stock organization and state its advantages and disadvantages. | CO1(BL2) | <b>5M</b> |

**Unit - II**

- |    |    |  |          |           |
|----|----|--|----------|-----------|
| 4. | a) | Explain different types of recruitment process.              | CO2(BL2) | <b>5M</b> |
|    | b) | Define motivation and explain Maslow's theory of motivation. | CO2(BL1) | <b>5M</b> |

**(OR)**

- |    |    |   |          |           |
|----|----|---|----------|-----------|
| 5. | a) | Explain the stages of product life cycle                          | CO2(BL2) | <b>5M</b> |
|    | b) | What are the different channels of distribution used in marketing | CO2(BL1) | <b>5M</b> |

**Unit - III**

- |    |    |   |          |           |
|----|----|---|----------|-----------|
| 6. | a) | Derive basic EOQ equation by assuming certain assumptions | CO3(BL1) | <b>5M</b> |
|    | b) | Explain ABC analysis with graphical sketch.               | CO3(BL2) | <b>5M</b> |

**(OR)**

- |    |    |  |          |           |
|----|----|--|----------|-----------|
| 7. | a) | Write down the difference between Inspection and Quality control in brief. | CO3(BL2) | <b>5M</b> |
|    | b) | Explain the drivers of Supply chain management.                            | CO3(BL1) |           |

**Unit - IV**

- |    |    |   |          |           |
|----|----|---|----------|-----------|
| 8. | a) | State and explain the functions of financial management | CO4(BL1) | <b>5M</b> |
|    | b) | Explain break-even analysis with a neat sketch.         | CO4(BL2) | <b>5M</b> |

**(OR)**

- |    |    |  |          |           |
|----|----|--|----------|-----------|
| 9. | a) | Describe the importance of communication in entrepreneurship | CO4(BL2) | <b>5M</b> |
|    | b) | Describe the factors affecting entrepreneurship              | CO4(BL2) | <b>5M</b> |



1.
  - a) Forecasting, planning, organizing, staffing, directing, coordinating, controlling and decision making
  - b) F.W.Taylor
  - c) 2 to 20 members
  - d) Marketing is long term and selling short term.
  - e) Autocratic, democratic, task centered, employee centered, benevolent,
  - f) Product, price, place, promotion
  - g) To optimize the inventory level. Maintaining smooth and efficient flow of materials.
  - h) Ethics, integrity, trust, recognition, team work leadership.
  - i) Electricity bills, maintenance cost.
  - j) Self confidence, Motivation, Risk taker.

## UNIT-I

2 a)

### 1. Division of Work

The specialization of the workforce, creating specific personal and professional development within the labour force and therefore increasing productivity; leads to specialization which increases the efficiency of labour. By separating a small part of work, the workers speed and accuracy in its performance increases. This principle is applicable to both technical as well as managerial work.

### 2. Authority and Responsibility

The issue of commands followed by responsibility for their consequences. Authority means the right of a superior to give order to his subordinates; responsibility means obligation for performance. This principle suggests that there must be parity between authority and responsibility.. They are co-existent and go together, and are two sides of the same coin.

### 3. Discipline

Discipline refers to obedience, proper conduct in relation to others, respect of authority, etc. It is essential for the smooth functioning of all organizations.

### 4. Unity of Command

This principle states that every subordinate should receive orders and be accountable to one and only one superior. If an employee receives orders from more than one superior, it is likely to create confusion and conflict. Unity of Command also makes it easier to fix responsibility for mistakes.

### 5. Unity of Direction

All those working in the same line of activity must understand and pursue the same objectives. All related activities should be put under one group, there should be one plan of action for them, and they should be under the control of one manager. It seeks to ensure unity of action, focusing of efforts and coordination of strength.

### 6. Subordination of Individual Interest

The management must put aside personal considerations and put company objectives first. Therefore the interests of goals of the organization must prevail over the personal interests of individuals.

### 7. Remuneration

Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity. The quantum and methods of remuneration payable should be fair, reasonable and rewarding of effort.

### 8. The Degree of Centralization

The amount of power wielded with the central management depends on company size. Centralization implies the concentration of decision making authority at the top management. Sharing of authority with lower levels is called decentralization. The organization should strive to achieve a proper balance.

### 9. Scalar Chain

Scalar Chain refers to the chain of superiors ranging from top management to the lowest rank. The principle suggests that there should be a clear line of authority from top to bottom linking all managers at all levels. It is considered a chain of command.

### 10. Order

Social order ensures the fluid operation of a company through authoritative procedure. Material order ensures safety and efficiency in the workplace.

### 11. Equity

Employees must be treated kindly, and justice must be enacted to ensure a just workplace. Managers should be fair and impartial when dealing with employees.

### 12. Stability of Tenure of Personnel

The period of service should not be too short and employees should not be moved from positions frequently. An employee cannot render useful service if he is removed before he becomes accustomed to the work assigned to him.

### 13. Initiative

Using the initiative of employees can add strength and new ideas to an organization. Initiative on the part of employees is a source of strength for the organization because it provides new and better ideas. Employees are likely to take greater interest in the functioning of the organization.

### 14. Esprit de Corps

This refers to the need of managers to ensure and develop morale in the workplace; individually and communally. Team spirit helps develop an atmosphere of mutual trust and understanding.

These can be used to initiate and aid the processes of change, organization, decision making, skill management and the overall view of the management function.

b) Taylor's Scientific Management Theory promotes the idea that there is "one right way" to do something. As such, it is at odds with current approaches such as MBO (Management By Objectives), Continuous Improvement initiatives, BPR (Business Process Reengineering), and other tools like them.

Before the Industrial Revolution, most businesses were small operations, averaging three or four people. Owners frequently laboured next to employees, knew what they were capable of, and closely directed their work. The dynamics of the workplace changed dramatically in the United States with the Industrial Revolution. Factory owners and managers did not possess close relationships with their employees. The workers "on the floor" controlled the work process and generally worked only hard enough to make sure they would not be fired. There was little or no incentive to work harder than the next man (or woman).

Taylor was a mechanical engineer who was primarily interested in the type of work done in factories and mechanical shops. He observed that the owners and managers of the factories knew little about what actually took place in the workshops. Taylor believed that the system could be improved, and he looked around for an incentive. He settled on money. He believed a worker should get "a fair day's pay for a fair day's work"—no more, no less. If the worker couldn't work to the target, then the person shouldn't be working at all. Taylor also believed that management and labor should cooperate and work together to meet goals. He was the first to suggest that the primary functions of managers should be planning and training.

In 1909, Taylor published The Principles of Scientific Management. In this book, he suggested that productivity would increase if jobs were optimized and simplified. He also proposed matching a worker to a particular job that suited the person's skill level and then training the worker to do that job in a specific way. Taylor first developed the idea of breaking down each job into component parts and timing each part to determine the most efficient method of working. Soon afterward, two management theorists, Frank and Lillian Gilbreth, came up with the idea of filming workers to analyze their motions. Their ideas have since been combined into one process (called time and motion studies) for analyzing the most productive way to complete a task.

(OR)

3

a)

1. Less formal with fewer legal obligations
2. Easy to get started
3. Sharing the burden
4. Access to knowledge, skills, experience and contacts
5. Better decision-making
6. Privacy
7. Ownership and control are combined
8. More partners, more capital
9. Prospective partners
10. Easy access to profits

Disadvantages of a business partnership

While there are lots of benefits of a partnership business, this model also carries a number of important disadvantages.

1. The business has no independent legal status
2. Unlimited liability

3. Perceived lack of prestige
4. Limited access to capital
5. Potential for differences and conflict
6. Slower, more difficult decision making
7. Profits must be shared
8. Personally demanding
9. Taxation
10. Limits on business development

b)

A Joint Stock Company is an incorporated association of two or more persons having a separate legal existence with perpetual existence and common seal. Its capital is divided into shares which are freely transferable and the owners of these shares have limited liability. It is an artificial entity created by law.

When you think of all the largest companies in the world, these are not proprietorships or partnerships. These companies are all joint stock companies. When dealing with business on a fairly large scale, a joint stock company is the most suitable form of business organisation.

The simplest way to describe a joint stock company is that it is a business organisation that is owned jointly by all its shareholders. All the shareholders own a certain amount of stock in the company, which is represented by their shares.

### **Advantages of a Joint Stock Company**

One of the biggest drawing factors of a joint stock company is the limited liability of its members. Their liability is only limited up to the unpaid amount on their shares. Since their personal wealth is safe, they are encouraged to invest in joint stock companies.

The shares of a company are transferable. Also, in the case of a listed public company they can also be sold in the market and be converted to cash. This ease of ownership is an added benefit.

Perpetual succession is another advantage of a joint stock company. The death/retirement/insanity/etc does not affect the life of a company. The only liquidation under the Companies Act will shut down a company.

A company hires a board of directors to run all the activities. Very proficient, talented people are elected to the board and this results in effective and efficient management. Also, a company usually has large resources and this allows them to hire the best talent and professionals.

### **Disadvantages of a Joint Stock Company**

One disadvantage of a joint stock company is the complex and lengthy procedure for its formation. This can take up to several weeks and is a costly affair as well.

According to the Companies Act, 2013 all public companies have to provide their financial records and other related documents to the registrar. These documents are then public documents, which any member of the public can access. This leads to a complete lack of secrecy for the company.

And even during its day to day functioning a company has to follow a numerous number of laws, regulations, notifications, etc. It not only takes up time but also reduces the freedom of a company.

A company has many stakeholders like the shareholders, the promoters, the board of directors, the employees, the debenture holders etc. All these stakeholders look out for their benefit and it often leads to a conflict of interest.

## **UNIT-II**

4

a)

Direct advertising.

Talent pool databases.

Employee referrals.

Boomerang employees.

Promotions and transfers.

Employment exchanges.

Recruitment agencies.

Professional organizations

1. **Internal Recruitment** - is a recruitment which takes place within the concern or organization. Internal sources of recruitment are readily available to an organization. Internal sources are primarily three - Transfers, promotions and Re-employment of ex-employees.

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Internal recruitment may lead to increase in employee's productivity as their motivation level increases. It also saves time, money and efforts. But a drawback of internal recruitment is that it refrains the organization from new blood. Also, not all the manpower requirements can be met through internal recruitment. Hiring from outside has to be done.

Internal sources are primarily 3

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- a. **Transfers**
- b. **Promotions (through Internal Job Postings)** and
- c. **Re-employment of ex-employees** - Re-employment of ex-employees is one of the internal sources of recruitment in which employees can be invited and appointed to fill vacancies in the concern. There are situations when ex-employees provide unsolicited applications also.

2. **External Recruitment** - External sources of recruitment have to be solicited from outside the organization. External sources are external to a concern. But it involves lot of time and money. The external sources of recruitment include - Employment at factory gate, advertisements, employment exchanges, employment agencies, educational institutes, labour contractors, recommendations etc.

- a. **Employment at Factory Level** - This a source of external recruitment in which the applications for vacancies are presented on bulletin boards outside the Factory or at the Gate. This kind of recruitment is applicable generally where factory workers are to be appointed. There are people who keep on soliciting jobs from one place to another. These applicants are called as unsolicited applicants. These types of workers apply on their own for their job. For this kind of recruitment workers have a tendency to shift from one factory to another and therefore they are called as “badli” workers.
- b. **Advertisement** - It is an external source which has got an important place in recruitment procedure. The biggest advantage of advertisement is that it covers a wide area of market and scattered applicants can get information from advertisements. Medium used is Newspapers and Television.
- c. **Employment Exchanges** - There are certain Employment exchanges which are run by government. Most of the government undertakings and concerns employ people through such exchanges. Now-a-days recruitment in government agencies has become compulsory through employment exchange.
- d. **Employment Agencies** - There are certain professional organizations which look towards recruitment and employment of people, i.e. these private agencies run by private individuals supply required manpower to needy concerns.
- e. **Educational Institutions** - There are certain professional Institutions which serves as an external source for recruiting fresh graduates from these institutes. This kind of recruitment done through such educational institutions, is called as Campus Recruitment. They have special recruitment cells which helps in providing jobs to fresh candidates.
- f. **Recommendations** - There are certain people who have experience in a particular area. They enjoy goodwill and a stand in the company. There are certain vacancies which are filled by recommendations of such people. The biggest drawback of this source is that the company has to rely totally on such people which can later on prove to be inefficient.
- g. **Labour Contractors** - These are the specialist people who supply manpower to the Factory or Manufacturing plants. Through these contractors, workers are appointed on contract basis, i.e. for a particular time period. Under conditions when these contractors leave the organization, such people who are appointed have to also leave the concern.

b)

Maslow's hierarchy of needs is a theory of motivation which states that five categories of human needs dictate an individual's behavior. Those needs are physiological needs, safety needs, love and belonging needs, esteem needs, and self-actualization needs.

1. **Physiological needs:** The first of the id-driven lower needs on Maslow's hierarchy are physiological needs. This most basic human survival needs include food and water, sufficient rest, clothing and shelter, overall health, and reproduction. Maslow states that these basic physiological needs must be addressed before humans move on to the next level of fulfillment.

2. **Safety needs:** Next among the lower-level needs is safety. Safety needs include protection from violence and theft, emotional stability and well-being, health security, and financial security.

3. **Love and belonging needs:** The social needs on the third level of Maslow's hierarchy relate to human interaction and are the last of the so-called lower needs. Among these needs are friendships and family bonds—both with biological family (parents, siblings, children) and chosen family (spouses and partners). Physical and emotional intimacy ranging from sexual relationships to intimate emotional bonds are important to achieving a feeling of elevated kinship. Additionally, membership in social groups contributes to meeting this need, from belonging to a team of coworkers to forging an identity in a union, club, or group of hobbyists.

4. **Esteem needs:** The higher needs, beginning with esteem, are ego-driven needs. The primary elements of esteem are self-respect (the belief that you are valuable and deserving of dignity) and self-esteem (confidence in your potential for personal growth and accomplishments). Maslow specifically notes that

self-esteem can be broken into two types: esteem which is based on respect and acknowledgment from others, and esteem which is based on your own self-assessment. Self-confidence and independence stem from this latter type of self-esteem.

**5. Self-actualization needs:** Self-actualization describes the fulfillment of your full potential as a person. Sometimes called self-fulfillment needs, self-actualization needs occupy the highest spot on Maslow's pyramid. Self-actualization needs include education, skill development—the refining of talents in areas such as music, athletics, design, cooking, and gardening—caring for others, and broader goals like learning a new language, traveling to new places, and winning awards.

(OR)

5a)



As consumers, we buy millions of products every year. And just like us, these products have a life cycle. Older, long-established products eventually become less popular, while in contrast, the demand for new, more modern goods usually increases quite rapidly after they are launched. Because most companies understand the different product life cycle stages, and that the products they sell all have a limited lifespan, the majority of them will invest heavily in new product development in order to make sure that their businesses continue to grow.

#### Product Life Cycle Stages Explained

The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products.

**Introduction Stage** – This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it's a competitive sector.

**Growth Stage** – The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

**Maturity Stage** – During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

**Decline Stage** – Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets

b) The three types of distribution channels are wholesalers, retailers, and direct-to-consumer sales.

1. Direct Sales
2. Retailer
3. Intensive Distribution
4. Selective Distribution
5. Exclusive Distribution
6. Dual Distribution
7. Wholesaler

### **UNIT-III**

6

a)

- The model is based on the following basic assumptions
- The demand for the item is certain, continuous and constant over time
- The lead time is known and fixed, thus when, the lead time is zero, the delivery of item is continuous
- Within the range of the quantities to be ordered, the per unit holding cost and the ordering cost are constant and thus independent of the quantity ordered.
- The purchase price of the item is constant and no discount is available on purchases of large lots.
- The inventory is replenished immediately as the stock level reaches exactly equal to zero.



Determination of EOQ for the classical EOQ model

$$T(Q) = \frac{D}{Q} \times C_0 + \frac{Q}{2} \times C_c$$

To determine the value of  $Q$  corresponding to lowest  $T(Q)$  value, we shall take the first derivative of this w.r.t  $Q$  and set it equal to zero.

$$\frac{dT(Q)}{dQ} = \frac{-D}{Q^2} \times C_0 + \frac{1}{2} \times C_c = 0$$

$$\frac{D}{Q^2} \times C_0 = \frac{C_c}{2}$$

$$Q^2 = \frac{2C_0 D}{C_c}$$

$$Q = \sqrt{\frac{2C_0 D}{C_c}}$$

$$EOQ = \sqrt{\frac{2C_0 D}{C_c}}$$

where  $C_0$  = ordering cost per order

$D$  = annual demand

$C_c$  = holding cost

To verify that the point is the minimum point, we check for a positive second derivative i.e

$$\frac{d^2T(Q)}{dQ^2} = \frac{2C_0 D}{Q^3} + 0 > 0$$

$$\text{Total cost} = O(Q) + H(Q)$$

$$= \frac{D}{\sqrt{\frac{2C_0 D}{C_c}}} \times C_0 + \frac{\sqrt{\frac{2C_0 D}{C_c}}}{2} \times C_c$$

$$= \frac{\sqrt{D} \times \sqrt{C_c}}{\sqrt{2} \sqrt{C_0} \sqrt{D}} \times \sqrt{C_0} \times \sqrt{C_0} + \frac{\sqrt{2} \sqrt{C_0} \sqrt{D}}{\sqrt{C_c}} \times \frac{\sqrt{C_c}}{\sqrt{2} \times \sqrt{2}} \times \sqrt{C_c}$$

b)

- Classifies items based on the annual usage value (AUV)
- Identify a small percentage of items which account for most of the total inventory value

### Basic Principle

20/80 - Rule

Pareto's Law – Vilfredo Pareto – Italian Economist

"Few are vital" and "many are trivial"

AUV = Annual demand X Price

### Pareto's law applied to inventories

- The relationship between the percentage of items and the percentage of AUV follows a pattern

A – about 20 % of items account for about 80 % of the AUV

B - about 30 % of items account for about 15 % of the AUV

C - about 50 % of items account for about 5 % of the AUV

### Steps in Making an ABC Analysis

- Determine the annual usage for each item

2. Calculate the AUV of each item
3. List the items according to their AUV (descending order)
4. Calculate the cumulative AUV and the cumulative percentage of items
5. Examine the annual usage distribution and group the items into A, B, C based on percentage of AUV

#### Different Controls used with different classes

- A Items: High priority – Tight control including complete accurate records, regular and frequent review by management, frequent review of demand forecast and close follow-up and expediting to reduce lead time
- B Items: Medium priority – Normal Control
- C Items: Lowest priority – Simplest possible control. Perhaps use a two-bin system or periodic review system. Order larger quantities and carry sufficient safety stock

(OR)

7

a) Quality control refers broadly to the process of managing product quality to meet a desired standard. Inspection is only a part of this process used to identify quality defects in products. Inspection can help you find any defects earlier in production before they affect the majority of a shipment.

Consideration	Product testing	Product inspection
Who can conduct it?	A certified third-party laboratory or select factories with well-established laboratories can perform testing.	<ul style="list-style-type: none"> <li>• Third-party inspectors</li> <li>• Full-time inspectors working directly for the buyer</li> <li>• The buyer; or</li> <li>• The factory or supplier's staff</li> </ul>
When to conduct it?	<ul style="list-style-type: none"> <li>• Before mass production to test and establish an approved, or "golden", sample; or</li> <li>• After mass production begins to test the finished or semi-finished goods</li> </ul>	A pre-shipment inspection when at least 80 percent of the order is completed is considered the bare minimum. Certain quality concerns may require additional inspections earlier in production.
How many units to check?	Testing a few units or a small sample of material is generally adequate.	Inspecting a representative sample of the total lot size is normally adequate. The buyer may choose to inspect 100 percent of the lot size when: <ul style="list-style-type: none"> <li>• Manufacturing a small trial order</li> <li>• Manufacturing certain product types with zero, or near zero, defect tolerances, such as aerospace equipment or medical devices</li> <li>• Experiencing persistent and widespread quality issues</li> </ul>
Which buyers can benefit from it most?	Buyers who need to comply with regulations governing their product in the market of sale, those with product safety concerns and those that want a comparison with a competing product will benefit most.	All buyers can benefit from product inspection to manage product quality.

Quality control should be an ongoing process and a sum of regular actions, not a single one-off or routine task like inspection can often be.

Aside from quality inspection and testing, key elements of a robust quality control strategy include:

- **Supplier qualification**, often involving auditing suppliers for ISO9001 or other relevant compliance frameworks and evaluating product samples
- **Developing a quality manual** that reflects customer and retailer standards
- **Analyzing customer feedback**, complaint and return data for ongoing quality improvement
- **Taking corrective and preventative action** to improve quality, for instance, through root cause analysis and process improvement
- **Managing any product recalls** and liability risks

## b) Drivers of Supply Chain

The drivers of the SC are classified as cross-functional drivers and logistic drivers. Facilities, freight and transport are considered as drivers of logistics. Information, infrastructure, and pricing include cross-functional drivers.

### 1. Facilities

These are the real locations of the SC network. In these facilities, the product is collected, assembled or manufactured. Production sites and storage sites are the main types of facilities. Facilities design, locality, capacity and flexibility decisions have a significant impact on SC performance.

### 2. Inventory

Inventories are raw, processed and finished products in the SC. SC's performance and response will be greatly affected by changes in inventory strategies. Significant inventory not only enhances responsiveness but also improves the price of retailers, resulting in lower efficiency. Reduced inventory increases efficiency but reduces responsiveness.

### 3. Transportation

This means moving the list from point to point in SC. Transportation options have a big impact on SC response and performance.

### 4. Information

Information is the greatest driver of execution in SC, as it directly influences each other's drivers. This information includes facilities, inventory, transportation, costs, prices and customer data and analysis throughout the SC. SC provides the ability to make information management more responsive and effective.

### 5. Sourcing

The choice of who performs certain SC activities, such as manufacturing, storage, transport or information processing. These decisions determine, at the anticipated stage, what functions a business performs, as well as corporate outsourcing tasks. Resource decisions affect both the response and performance of the SC.

### 6. Pricing

It determines how much the company charges for the products and services available in SC. Price affects the behavior of a good or service buyer, thereby affecting the performance of the SC.

## UNIT-IV

8

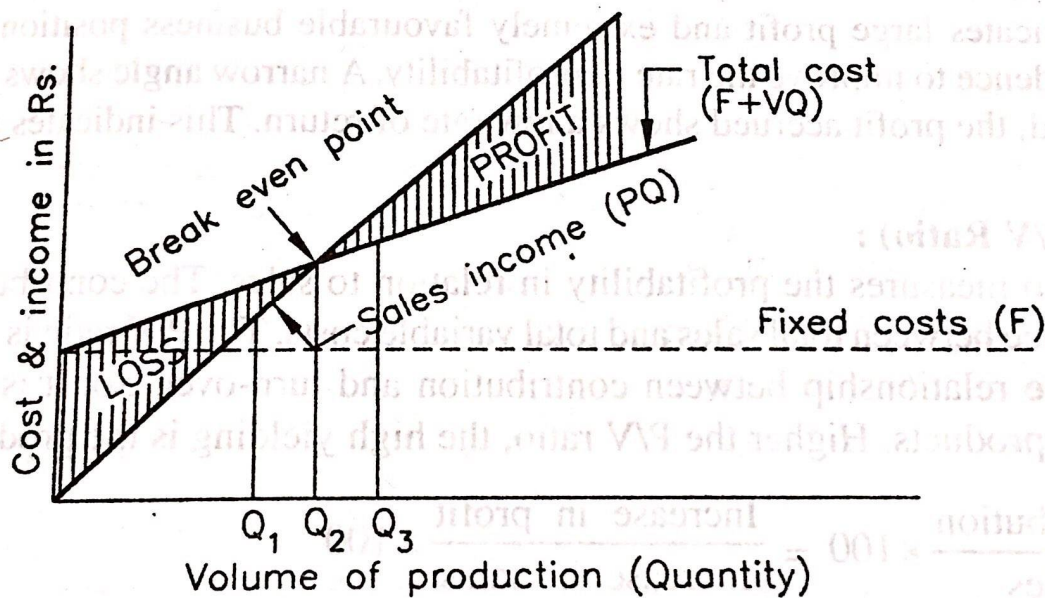
### a) Functions of Financial Management

- **Estimation of capital requirements:** A finance manager has to make estimation with regards to capital requirements of the company. This will depend upon expected costs and profits and future programmes and policies of a concern. Estimations have to be made in an adequate manner which increases earning capacity of enterprise.
- **Determination of capital composition:** Once the estimation have been made, the capital structure have to be decided. This involves short- term and long- term debt equity analysis. This will depend

upon the proportion of equity capital a company is possessing and additional funds which have to be raised from outside parties.

- **Choice of sources of funds:** For additional funds to be procured, a company has many choices like-
    - Issue of shares and debentures
    - Loans to be taken from banks and financial institutions
    - Public deposits to be drawn like in form of bonds.
  - Choice of factor will depend on relative merits and demerits of each source and period of financing.
  - **Investment of funds:** The finance manager has to decide to allocate funds into profitable ventures so that there is safety on investment and regular returns is possible.
  - **Disposal of surplus:** The net profits decision have to be made by the finance manager. This can be done in two ways:
    - Dividend declaration - It includes identifying the rate of dividends and other benefits like bonus.
    - Retained profits - The volume has to be decided which will depend upon expansional, innovational, diversification plans of the company.
  - **Management of cash:** Finance manager has to make decisions with regards to cash management. Cash is required for many purposes like payment of wages and salaries, payment of electricity and water bills, payment to creditors, meeting current liabilities, maintenance of enough stock, purchase of raw materials, etc.
  - **Financial controls:** The finance manager has not only to plan, procure and utilize the funds but he also has to exercise control over finances. This can be done through many techniques like ratio analysis, financial forecasting, cost and profit control, etc.
- 
- b) The total cost of production can be divided into two types (a) fixed cost, (b) variable cost
  - Fixed cost remains constant
  - The variable cost varies directly proportional to the volume of production
  - The selling price does not change with the change in the volume of sales.
  - The firm deals with only one product, or the sales mix remains unchanged.
  - There is a perfect synchronization between production and sales. This assumes that everything produced is sold and there is no change in inventory of finished goods.
  - Productivity of worker and efficiency of plant remains mostly unchanged.
  - The cost and sales income in rupees plotted along the vertical axis
  - The quantity is plotted along the horizontal axis
  - Fixed cost is represented by a straight line parallel to the horizontal axis
  - The variable costs are superimposed upon the horizontal line representing the fixed cost. This top line then represents the total cost line.

- The sales income line passes through the origin
- The point of intersection of total cost line and sales income line represents the break-even point



The point of intersection of total cost line and sales income line represents the break-even point

- The breakeven point is that junction where income and cost are exactly in balance.
- There is no profit no loss at that particular volume of production
- BEP represents minimum operating level below which it is dangerous to fall.

(OR)

9

a) Communication in business is important to convey clear, strong messages about strategy, customer service and branding. A business building a brand reflects a consistent message tailored to its audience. Internal communication builds rapport among employees and managers and encourages teamwork and collaboration.

#### 1. Building better teams

Effective communication builds a positive atmosphere where teams can flourish. When communication is positive and encouraging, team members become stronger and work better together. Those who practice good communication skills make working beside them easier and less stressful. Job tensions or friction are promptly addressed since effective communicators work toward finding solutions.

#### 2. Preventing misunderstandings and conflicts

Listening is a part of communicating used to understand a situation fully. Good communicators listen well and react appropriately, and they're more likely to find solutions without becoming defensive. When conflicts arise, good communicators address the problem right away and listen to the other side.

#### 3. Improving customer service

Businesses need to know what their customers want and need from them to serve them. Forming business relationships is how companies build trust in their brand and bring customers back. Reliable and positive communication with customers is paramount to maintaining a valued customer service reputation.

Effective communication with customers by answering questions and providing solutions helps to improve the business's reputation. Communicating well over the phone or through social media or email improves customer confidence and loyalty. Written communication that is consistent with the brand's voice can help promote community between customers and organizations.

b) Personality, social conditions, social support, education and training etc. factors lay an important role for developing such skills and motivate an individual to become an entrepreneur. More suitable the industrial environment in a nation, more rapid development of entrepreneurship

Entrepreneurship is a human skill, which can be developed. Due to entrepreneurship development, living standards of society can tend to rise, new opportunities of employment can be created and rapid economic and industrial development becomes possible. There are a number of factors affecting entrepreneurship or motivating entrepreneurs as follows.

- **Individual**

Entrepreneur is an individual having specific knowledge, skills and efficiency. Any new enterprise is created by an individual or group of individuals. The creativity of an individual encourages him to establish a new enterprise. Creativity consists of innovation, search and research. Personality, social conditions, social support, education and training etc. factors lay an important role for developing such skills and motivate an individual to become an entrepreneur.

- **Industrial development**

More suitable the industrial environment in a nation, more rapid development of entrepreneurship. More favourable industrial environment is one, where transportation, communication, electricity, labour, water, raw materials etc are easily available. Such industrial environment by and large affects entrepreneur development.

- **Social environment**

Social system plays a vital role in social environment. As an individual is born and developed in a family and society, social values, ethical standards, family structure, caste and religious attitudes of social environment affect entrepreneurship development.

- **Economic environment:**

The economy in which enough capital fund is available for establishing an enterprise and market incentives are also available, encourages entrepreneurship development. Banking, education, industrial policy, economic policy, Exim policy interest rate etc. Factors of economic environment affect entrepreneurship development. Thus economic soundness and free economy motivate entrepreneur development.

- **Technological environment**

Technology is an art of converting the natural resources into goods and services more beneficial to society. Due to technological development new product, new production process new raw material, new researches are encouraged for modernization.

- **Political environment**

Government also plays an important role in entrepreneurship development. Due to Globalization, Indian economy has adopted free industrial policy, restrictions on industries have been minimized and MRTP act has been cancelled, which has motivated many entrepreneurs to establish and to develop industries in Indian economy.

- **Incentives**

Incentives are also one of the important factors affecting entrepreneurship. If motivating loans, policies, organizations are developed, it leads to rapid entrepreneurship development.

- **Profit making**

It is the profit that induces the prospective entrepreneurs to get into the business and start new activities. Profit, therefore, is a factor which induces the entrepreneur to engage and utilize the factors of production and for development.