1 CONCEPT OF ORGANISATION AND ENTERPRISE MANAGEMENT.

1.1 The word business is very broad in its meaning which includes varieties of activities. Hence business refers to some economic activities related to manufacturing, extracting, purchasing, selling, servicing etc of any goods and services by individuals or organisations, the purpose of which is to earn profit.

BUSINESS:

Business may be defined as "
"Those economic activityies connected with manufacturing, assembling, extracting, collecting ~~and~~ purchasing, selling, servicing etc of any of any goods and services with the motive of earning revenue and profits"

Hence the term business may include varieties of activities needed for the purpose of manufacturing, assembling, collecting, extracting, constructing, grading, processing, packaging, purchanging, marketing, selling, transporting, advertising, trading, servicing etc of any goods and services.

The term business contains a wide variety of ingredients in it. The person who carries on such activities of a business is business-man.

②

ex:- - The grocer, who is selling different grocery items is a businessman.

- The owner of a TV channel is a businessman.

The duties of each and every business man are to organise business and earn profit out of them.

Hence, the ultimate aim of each and every business is profit.

Features of Business:

The following are the essential features of business.

[1]. Plurality of persons:

There must be atleast two persons or organisations to carry on a business. There can't be any business where there is only one individual or organisation is involved. That means a person can't have business involving himself only. He needs at least one customer to have a business.

[2]. Purchase and sale:

There must be purchase and ~~sell~~ sale. That means, in a business, there must be a seller and a purchaser.

(3) [3] Goods and services:

There must be some goods and services. There can be no business without involving any goods or services.

(Related to money /currency)

[4]. Monetary considerations:

There must be monetary consideration. In a business there must be transfer of goods or services from one person to another ~~from~~ for monetary consideration.

[5]. Repeatation of dealing:

There must be repeatation of dealing. Economic activities of purchase and sale of goods and services must be repeated. An isolated or single transaction is usually n't treated as business.

ex:- If a person purchase a flat and sold it at a profit, it is n't a business nor the person selling the flat is business.

But, if the individual purchases and sales flats repeatedly for gain, it is a case of business.

[6]. profit motive:

The ~~profit~~ motive behind such economic activityies must be to earn profit.

(If the motive is for any social, charitable, voluntary or mutual benefit or gain, it is n't a business)

① [7] Risk:

Business is always associated with risk and uncertainity. so risk is inseparable component of business. There can be no business without any risk. usually profit of a business depends on the risk involved in it. usually higher is the risk, higher the chances of profit and lower the risks, lower ~~the~~ is the chances of profit.

Component of Business:

Business has 2 major components..

[1] Industry.

[2] Commerce.

[1] Industry:

Industry is a place, where goods and services are produce.

such industry further devided into various catagories depending on size, nature, product, amount of investment etc.

Depending ~~upon~~ on the nature of industrial activities, industries can be classified into 5 catagories. such as:-

[1] Manufacturing industries.

[2]. Extractive Industries.

[3]. Genetic Industries.

[4]. Construction Industries.

[5]. Service Industries.

Scanned by CamScanner

[1]. **Manufacturing Industries:**

under this type of industries, the economic activities concentrate around the making of a commodity or product either for final consumption

Manufacturing Industries are factories and mills where raw materials are introduced and finished product are found out.

Manufacturing indurstries are further classified into. 4 types.

(1) Assembling Indurstries.
[2]. Processing Industries.
[3]. Analytical Industries.
[4]. Mixed type or synthetic type Industries.

[1] **Assembing Industries:**

This type of industries purchase different component, parts, assembling, accessories and assemble them into usable product.

Example:- Bicycle indurstries, automobile industries, watch industries., TV industries etc.

[2] **Processing Industries:-**

This type of industries purchase raw material and put it into the processes. Raw material are introduced at a particular point and it travels from one process to another untill its completion as finish product.

6 under the arrangement, some type of processing, modifying, grinding, polishing, shaping, heating etc are done at different stages at different processes.

ex:- Furniture Making Industries,
Textile Industries,
paper making, Jute mills etc.

[3] Analytical Industries:

In this type of indurstries, raw material is introduced at one point and several product come out at the end of different processes by due seggregation, separation, analysis etc.

The other products ~~are~~ are obtained from the basic raw materials. such product may be byproduct, joint products. etc.

example:- A milk product in which milk is introduced into the plant for processing and different product like ghee, cheese, butter, curd, condense milk come out at different processes.

[4] Mixed type or synthetic type:

under this type of industries, different raw material combined at different processes or stages and after further processing, finished products come out ~~on~~ at the end of the process.

ex:- Ayurvedic Medicine preparation industries, cosmetic industries, Fertilizer industries

Scanned by CamScanner

2. Extractive Industries:

This type of industries are ~~engaged~~ associated with the process of extraction of different materials from nature, like mining of ore and minerals, collection of forest product, etc.

such type of industries directly depend on nature.

3. Genetic Industries:

This type of industries are associated in the process of reproduction or multiplication of products which involves certain life.

It takes time to complete and involves different stages of life.

example:- polutry.

4. construction Industries:-

This type of industries are engaged in the construction of various infrastructure. like road, dam, bridge, canal, etc.

5. service Industries:

This type of industries provides service of various type to the people, to the industries and other organisation.

Such type of industry don't produce any commodities but produce or create service for the needy.

ex:- garage for automobiles, cinema halls, Tv channels, hotels ~~and~~ etc.

(2) Commerce:

commerce includes all those economic activities of buying and selling.

The manufacturers produce good and services but commercial activities help the transfer of good and services from the point of manufacturing to the point of user.

It maintains the gap between the producer and user.

It includes:

(1) Trade

(2) Aid to trade.

Trade:

Trade refers to the actual transfer of ownership of goods and services from the producer to the consumers through various middlemen.

It includes the actual sale and purchase of goods and services.

The person purchasing from producers and selling them to the customers is a trader. He's activities of buying and selling are trading activities.

so trade can be classified into

1. Retail trade and wholesale trade.
2. Local trade and Regional trade
3. National trade and international trade.
4. Import trade and export trade.

[1] Retail trade and wholesale trade:

Retail trade refer to the sale or transfer of goods and services directly to the consumers. and the person selling to the consumers in small quantities is known as retailer.

→ Retailers are usually spread over throughout the place whereever there is the conc. of consumers.

- Retailers are usually small business men or traders who deal in small quantities and remain in direct touch with the consumers.

Whereas,

- Wholesale trade refers to the sale of good and services to a small scale trader. and the person selling to the small trader in large quantity is known as wholesaler (large scale trader)

- Wholesale trader are usually meant to cater to the need of specified area. town or locality.

- Wholesale traders deal in large quantities ~~and don't remai~~

[2] Local trade and regional trade:

When buying and selling of a commodity is confined (limited/restricted in area) to a particular locality, it is known as local trade.

- Here buying and selling activities of different comodity are carried out on in small quantities.

- local traders operate within locality and provides the needs of the people of locality.

(10) - They deal in small quantities of different commodities.

However,

- When buying and selling activities of goods and services are confined to a particular region, it is known as regional trade.
- There is free flow of goods and services among various localities of the region.
- Regional traders provides the need of the people ~~of the~~ of the regions.
- They deal in comparateively in more quantities.

National trade And International trade:

When goods and services are bought and sold within the country. it is known as national trade.
here exchange of goods and services takes place within the ~~country~~. boundry of the country.

- National ~~country~~ trade spread over through out the country.
- It is also known as internal trade.

However,

- When goods and services are bought and sold between the nations i.e outside the boundary of a country, it is known as international trade.
- International trade covers both the import and export of goods and services
- International trade spread through out the world.

11

Import trade And Export trade:

When goods are bought from other countries of the world to meet the demand of a country. It is known as import trade.

~~however~~ This happens because the country cannot produce all of its requirements of goods and services.

However, A country may supply its surplus goods and services to other countries where there are shortage is known as export trade.

- The sending of such goods and services is for economic gain.

Aid to Trade:

All those activities which facilitate trade are known as aid to trade. such activities help the process of buying and selling of goods and services.

ex:- such business activity of businessman includes - transportation of commodities, advertising, banking etc.

without such activities, it is difficult to carry on the process of buying and selling.

1.2 Different forms of Business organisation and their basic characteristics:

Different forms of business organisations are:-

(1) sole-proprietorship.
(2). Partnership firm.
(3). Joint Hindu family business.
(4). Cooperative society.
(5). Joint stock company. (i.e pvt limited company, public limited company, public sector undertaking)

(2) sole-proprietorship:

When a business is started by a single person, it is known as sole-proprietorship or single ownership or one man business.

Basic characteristics:

1. such a business is owned by a single individual.
2. such a business is control by the same individual.
3. The individual invest his own capital in the business.
4. The sole-proprietor derives the entire benefit of the business and all the profit go to his pocket.
5. No legal formalities are necessary to start such a business.
6. The sole-proprietor bears all the risk for the business.
7. sole-proprietor may take the help of some emplyoee who may get salary.

Advantages of sole-proprietorship:

1. Easy to start -
sole-proprietorship is easy to start as it doesn't require any agreement.

2. Profit -
All the profit is go to the pocket of sole proprietorship. There is nobody to share the profit of such business.

3. Business secrecy:
Some time it is very important to maintain the secrecy of a business. As sole-~~preto~~ proprietorship

is the only person in the business, it is quite easy to maintain business secrecy.

4. Prompt decision:

A sole-proprietor is the only individual in his business, he can take prompt decision whenever there is a need.

5. Flexibility:

The sole-proprietor can enjoy the full freedom aswell as flexibility. he can do anything for the future business. He can close the business, expand it, change the nature of the business, change the name of the business etc.

(6). socially desirable:

This form of business organisation is socially desirable because it provides a lot of employement opportunities to unemplyoed individual. It solves the unemplyoment problem of a individuals aswell as country.

7. personal contact:-

As the sole-proprietor is the only individual in the business, he can maintain a personal contact with the customers which is helpful to understand the mood, taste, requirement, habit, custom etc. of the customers and may design his business activities accordingly to suit the customers.

8. Easy Dissolution.

A sole proprietorship business can be dissolved at any time without any formalities. It can come to an end at the wish of sole proprietor.

Disadvantages

(1). Limited financial resources:

As the sole proprietorship is the only person in the business, he can contribute only limited amount of money for the purpose of business.

(2) Uncertain future: As sole proprietorship is only person in the business is purely uncertain and its continuity is always doubtful.

(3) Unlimited liability:

The liability of the sole-proprietor is always unlimited. He can be called upon to pay an unlimited amount of money in case of need.

(4) Limited managerial activity:-

A sole proprietor may not be expert in all the activities of his business.

(5). Small business:

The sole-proprietor mayn't start a big business and the production mayn't be high.

(6). Lack of public faith and confidence.

As there is uncertainity on the continuance of this type of business, people mayn't have faith and confidence

(7) No separate legal entity:

15 PARTNERSHIP:

When a group of persons combining together start a business, it may be a partnership business.

Partnership business in India is governed by an Act in the parliament. so according to section 4 of Indian partnership Act, 1932, partnership is defined as a " relation between person who have agreed to share the profit of a business carried on by all (or any one acting for all) persons entering to the agreement are individually called partners and collectively a firm and the name under which business is carried out is called firm name".

Basic characteristics:

(1) The minimum number of ~~partners~~ members in case of partnership business is two and the maximum limit is twenty. However in case of banking and financial business the maximum membership is ten only.

(2). Partnership come into existence due to the agreement entered into ~~the~~ by the partners. Such an arrangement in writing is known as "partnership Deed".

(3). The motive of all the partners in the partnership must be to earn profit and share.

(4). All the partners can take active part in the management of partnership.

(5). Both the partners and firm are considered one unit in the eye of law.

(6). Partnership is the result of mutual understanding, faith and confidence among the partners. so all the partners should be just honest to one another and to the firm

(7) A partnership firm can't continue to carry on its business for an ~~ulti~~ unlimited period of time, If the partners have agreed to carry on business for limited period of time, it is known as "partnership for a fixed term."

If they have agreed to carry on partnership for the completion of a particular job and project, it is called "particular partnership."

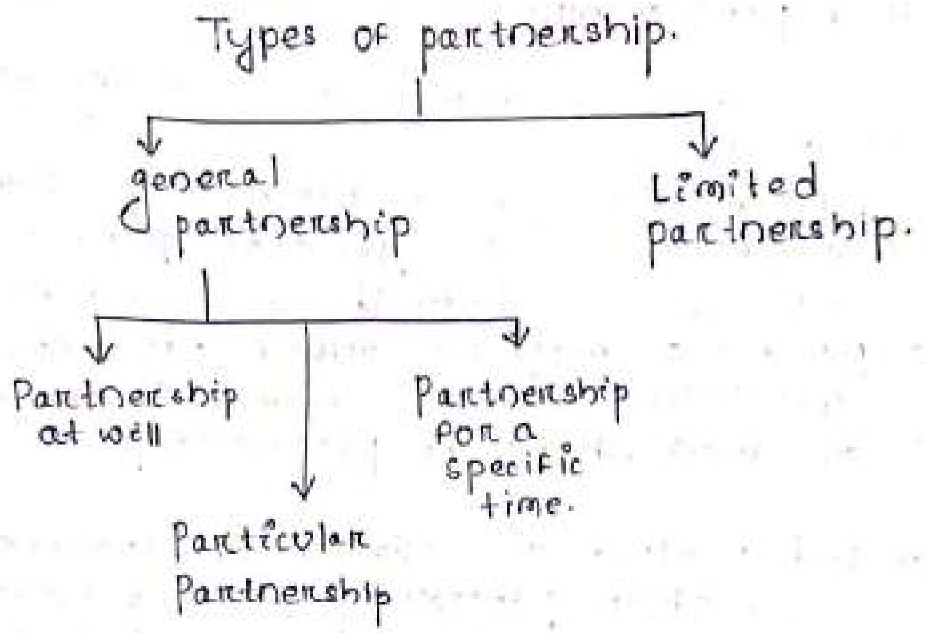
If nothing is specified in the partnership agreement, such a partnership may be closed down at the wish of any partners and such a partnership is known as "partnership ~~with~~ at will"

Partnership Deed:

Deed means agreement. so partnership deed means the partnership agreement. Partnership is the result of an agreement between the partners. When the partnership agreement is in written form, it is known as partnership deed.

Partnership deed contains the rules & regulations for the internal management of the partnership. Also contains the terms and conditions of the partnership.

All the partners have to sign the partnership deed. It contains the detail of the name of the firm, its adresses, name & addresses of each and every partners, nature of business, the profit sharing ratio, duration of partnership, power, duties and responsibilities of partners and all other rules regarding partnership.



General partnership:

Under this type of partnership the liabilities of all the partners are unlimited, their personal properties can be utilised to pay of business liabilities, if the properties of the firm are insufficient to meet business liabilities.

[a] partnership at will:

When all the partners come to an agreement and say nothing about the duration of partnership, such a partnership is end at the will of the partners.

[b] Particular partnership:

If the partnership have entered into an agreement to complete a particular task, the partnership is automatically close down at the completion of such task, such partnership is known as particular partnership.

[c]. partnership for a specific time:

If the partners have entered into an agreement to carry on business for a specific period of time i.e for 1 yr, 2yr etc. then on the completion of the prescribed time limit, the partnership is automatically close down, such a partnership is known as partnership for a specific time.

Limited partnership:

This type of partnership is usually n't found in India.

Under this type of partnership, there must be at least one general partner whose liability is unlimited and the rest of the partners may be limited partners, whose liabilities are unlimited to the extent of their share in partnership.

- A limited partner is allowed to transfer his share to another partner or to an outsider without the consent of all general partners.

Kinds of partners:

1. Active partners
   This type of partner found in all the partnership. such partner not only contribute capital but also take active part in the management.

2. ~~see~~ sleeping partner:
   This type of partner is also known as dormant partner. such a partner contributes capital to ~~the partner~~ but doesn't take any active part in the management of partnership.

3. Partners in profit only:
   There are some partners who may be interested in the profit only, They aren't share the losses. They contribute capital but n't allowed to take active part. As because such partners share the profits only, their rights are also restricted.

4. Nominal partner:-
   such partner neither contributes capital to the firm nor takes pta active part in the management. ~~of the partnership~~. His name is only use as a partner.

4. This type of situation arises when the person is important and act as a strength to the partnership business to attract additional business. such a person is known as a partner to the outsiders but actually is not a partner.

5. **Partner by estoppel:**

sometimes it may so happen that a person may represent himself in a such a manner that other belive him to be a partner. Actually he is not a partner but behaves like a partner. such person neither contribute capital nor takes active part in the management. such a partner is known as partner by estoppel. In the other word, we can treat him to be a tout or cheat.

6. **Minor partner:**

Person who is below 18 years of age can't enter into an agreement / contract as per the Indian contract Act. person below 18 years of age is treated as a minor. But the Indian partnership Act specifically provides that a minor person can enter into a partnership and becomes a partner.

Advantages of partnership:

1. **Absence of legal formalities.** — There is no need of obtaining any permission, licence or clearance from any authorities to start a business. No particular legal formalities are required to start a partnership firm. It can be started by any 2 or more individuals at any time or at any place.

2. **Higher financial resources:**—

As because the no of partnership is more, this business has more financial strength.

3. **Bigger size of business**— As compared to sole-proprietorship, a partnership business can start a comparatively big business with more capital.

4. <u>Better management:</u> In partnership, there are partners with varities of talent on various mattery. This brings more efficient management.

5. <u>Reduced risk:</u> As there are many person in a partnership the risk involved is shared among the partners.
   - Lighter risk enable the partners to take good business risk.

6. <u>promt decision:</u> As almost all the partners take active part ~~in the day~~, they can take promt and timely decision on many matters.

7. <u>good public relation:</u>

8.

9. <u>Easy dissolution:</u> The dissolution of a partnership is easy.

<u>Disadvantages:</u>

1. <u>unlimited liability:</u>
   The liabilities of each and every member in case of a partnership is unlimited.

2. <u>Absence of continuity / uncertainity future:</u>
   A partnership firm can't continue its business for a unlimited period of time. A partnership firm comes to an end on the event of death, insolvency, retirement etc. of a partner.

3. Higher risk:-

21 The personal properties of the partner are always at risk.

4. Absence of understanding Among partners:

As there are many partners in a partnership, there may be conflict of opinion which may give rise to misunderstanding among the partners on many matters. This is n't good for the business as well as partnership.

5. Business Secrecy: sometimes business secrecy is very much important for the business. If there are many persons in a business, it is very difficult to maintain business secrecy.

6. Non-transferability of shares:

share of one partner can't be transferred to another partner.

Joint Hindu Family Business:

A large number of business in India is carried on by different families and such a business is called a "Joint Hindu Family business."

Joint Hindu Family business operates under the Hindu succession Act, 1956.

There are 2 division of the Hindu succession Act, such as. (1) Dayabhaga law.
(2) Mitakshyara law

According to Dayabhaga Law: (which is applicable ~~to~~ only to Bengal) only male members will inherit the property of the family only after the death of the father.

But according to Mitakshyara law (which is applicable to the rest of India) three successive male generation can inherit the property of the family from the moment of their birth.

- Usually Joint Hindu family business is managed by the head or male members of the family. who is known as "Karta".
- The Karta is the manager of the business and is the senior-most male member of the family.
- He controls the income and expenditure of the business aswell as family. (other members of the family is known as co-parceners)
- ~~In the event of~~ After the death of Karta, the next senior most male member will become the Karta automatically.

Cooperative society:

When a group of persons belonging to a particular classes or catagory ~~or~~ of group associate themselves and start a business for their mutual benefits, it may be a "co-operative society."

The main aim of a co-operative society is not to earn profit but to give best possible service to its members.

Co-operative society is usually started by middle class or lower middle class ~~or the~~ ~~weaker~~ belonging to a particular area.

The main motto of a co-operative society is "all for each and each for all".

which can be achieved only by self help through mutual help.

23

Basic Features:

1. When a co-operative society is register under the law, it can continue its operation for an unlimited period of time.

2. Any one can become a member of a cooperative society by purchasing the shares of the co-operative society and can withdraw his membership by simple application.

3. The objective of co-operative society is (not to make profits but to provide best possible services to its members.

4. President, vice president, secretary etc are elected from to manage the co-operative society

5. The minimum no of members in a co-operative society is 10 and the maximum is unlimited

Joint stock company:

Joint stock companies are most popular form of business organisation not only in India but also world wide.

The sole-proprietorship and partnership forms of business organisation couldnot meet the growing demand of business and hence Joint stock company form of business organisation became popular. So the joint stock company arises due to the growing demand for more and more big business.

Joint stock companies in India are governed & regulated by an Act in the parliament known as "The Indian companies Act, 1956.

According to this act, a joint stock company has been defined as "a company limited by shares, having a permanent paid up nominal share capital of fixed amout, devided into shares also of fixed amount, held and transferable as stock and formed on the principle of having in its members, only the holders of those shares and on stock and no other person."

Basic Features:

1. A joint stock company is treated as independent and separate body apart from its members.
2. Once a joint stock company is formed, it continues to carry on its activities for an unlimited period of time.
3. The liabilities of all the members of a joint stock company are limited to the extent of their share in the company.
4. The min. no of membership in case of public ~~sector~~ limited company is seven and maximum as unlimited. But for a private limited company, the minimum is 2 & Maximum is fifty.
5. The shareholders of the company are the members, who are the owners of that company. But the owner don't take active part in the management of the company.

They elect a group of persons among themselves who manage the company. The person elected are the Directors of the company. so a Board of Directors having several directors managing directors.

6. The shares can be purchased and sold at stock exchange.

7. While forming a joint stock company, the promoter have to mention the purpose of the company. for which the company is formed. The purpose of the company is known as its object, which defines the products on which the company wants to carry on business.

8. The finance of a joint stock company is ~~coo~~ made by the contributions of each and every member of the joint stock company by purchasing shares of that company.

9. As because a joint stock company collects a large amount of money from the general public, the Government ~~po~~ usually puts more control over the working of the joint stock company.

Public sector companies:

Public sector companies are those companies which are also Governed by the Indian companies Act 1956, But the only major difference is that, it is started, owned, managed and controlled by the Government. The Government holds more than 50% of the shares of such companies. In some cases the govt. & Govt. agencies or organisation holds the entire shares of such business companies.

Ex of such companies are:-

Oil India ltd, steel Authority of India limited, BSNL, GAIL etc.

Management:

(Management is the term which finds a common application every where). Knowingly or unknowing every individual applies the technique of management even in his daily life.) Management is a term which can be applied every where, i.e in kitchen; Government or in a large company. Now a days, management has become a separate branch of study.

Definition:

"Management is an art of getting things done through other people"

→ J.L. Hayes

"Management is the multipurpose organ that manages a business and manages managers, and manages worker and work.

→ P.F. Drucker

"To manage is to forecast, to plan, to organise, to command to co-ordinate and to control."

— Henry Fayol

Management is knowing exactly what you want men to do and then seeing that they do in the best and cheapest way.

Management | Administration.

Difference between Administration and management:

Administration	Management
1. It is a thinking function.	1. It is a doing function.
2. It involves the determination of plans and policies.	2. It involves the implement of plans and policies.
3. It takes major decision.	3. It takes decision within the framework of administration.
4. Administration is a top level function.	4. Management is a lower level function.
5. Generally, the term administration is used in non-business organisation like ~~school, college~~.	5. The term management is use in business organisation.
6. Its decision are generally influenced by external factors such as social, political & legal etc.	6. Its decision are generally influenced by internal factors such as values, beliefs and opi,

Importance of Management:

Management is a technique or media through which goals or objectives can be achieved.

Management is a systematic and scientific approach to solve problem and get results.

Effective management is probably the main resource of developed countries and the most needed resources of developing ones

Functions of Management:

All the activities performed by managers at various levels to get the desired results may be the functions of management. They are:-

(1). Forecasting.
(2). planning
(3). organising.
(4). staffing.
(5). Directing.
(6). motivation
(7) leadership.
(8) communication.
(9). co-ordinating
(10) controlling.

(1) Forecasting

Forecasting is the first thing in the management process basing on which plans are made and actions are taken. It is the base of the planning process. It is nothing but the prediction of future. Forecasting is based on the analysis of the past.

study of the present and estimate the future. since future is uncertain, forecasting helps to add certain level of certainity to future.

Planning

Planning is the most important among all the managerial functions. It is considered as the foundation of the work. planning includes the selection of best alternative among all the alternative available. planning ~~bridg~~ makes a bridge between ~~the gap~~ where we are and where we want to be in a desired future. It involves, what to do? when to do? where to do? How to do? and Who is to do? The aim of planning is maximum results at minimum possible effort.

Organising:

Organising is the management process, which helps to carry out the plans. organising includes putting life to plans by bringing together the physical facilities, workers, capital, machines, material, other things, and services to carryout the plans. It is also a process which involves dividing and grouping the work into various jobs. organising also defines the relationship among persons and decides who will do what for the impementation of the plans and for the achievement of goals.

(4) staffing:

staffing is nothing but filling up the positions created in the organisation structure. staffing functions include recruitment, selection, training, placement, transfer, promotion. etc.

The aim of staffing is optimum utilization of human resources of an organisation.

(5) Directing:

Appointment in different positions isn't enough to get good results. They need direction. i.e the proper orders and instructions as per requirement. So directing also includes motivations, proper leadership and effective communication. A manager must make ~~the~~ use of his leadership and motivational qualities to direct and guide the subordinate. Directing helps the plans to be converted into performance.

Motivation:

Motivation is nothing but ~~the~~ creating an internal desire in the mind of a person to do something. In the management process motivation is a powerful tool to achieve the goal effectively. Motivation creats intrest in a person to work for ~~the~~ attending the common goal.

~~Guard~~ Leadership:

Leadership is important in ~~to~~ management as b it gives direction to followers / subordinates.

Communication:

Communication is the management process which refer to the transmission of messages, news, informations, suggestion, instruction etc from one person to another.
Through ~~Through~~ communication ~~can~~ ~~make~~ an effective link is created and maintained

among all the individual of the organisation. communication may be also through speech, action, chart, graph, diagrams, figures, pictures, etc.

Co-ordination:

It is the duty of a manager to co-ordinate the activities of all the individuals to provide unity of action for the achievement of common goal. co-ordination includes division of works and distribution of duties and responsibilities among various individuals and groups working in the organisation structure.

Control:

control is the last phase of management process. control is a continuous process. control is essential because planning and performance are never perfect.

Scientific Management:

Frederick Winslow Taylor – Father of scientific management.

controlling process involves:-

(1) Establishing standards to measure performance.
2. Measuring actual performance.
3. comparing performance with standard.
4. Taking corrective action.

Scientific Management:

Earlier almost all the work were being performed based on convention, tradition, past exprience, imagination, intution, opinion etc and there were no scientific reasons and principle behind the performance of work. But scientific management principles advocate the use of scientific methods and techniques in the performance of each and every activities of an organisation. Hence scientific management can be called as scientific approach for the solution of different problems of an enterprise.

Scientific management is an art of management which involves knowing exactly what is to be done and the bestway of doing it.

Scientific management is connected with the finding out the solutions to manageral problems which includes scientific methods of studies and observation.

F.W. Taylor is known as Father of scientific management. According to him "scientific management is the substitution of exact scientific investigation and knowledge for the own individual judgement or opinion in all matter relating to the workdone in the shop."

33 Scientific management also called as "The process of directing human efforts which employs scientific methods for getting higest productivity"

Scientific Management includes:—

(1). scientific study and analysis of work.

(2). scientific selection, training and placement of workers.

(3) standardization of all other resources including raw materials, machines, equipments, tools etc & providing proper working condition.

(4). scientific way or manner of performing each and every work.

Aim of scientific Management:

- To ensure higher productivity.
- To ensure quality of work as well as finished product.
- Reduction in the cost of production.
- Ellimination of wastage at all the level of works.
- providing right people to right work to achieve high degree of excellence.

Principles of scientific management:

The principles advocated by F. W Taylor are as follows:—

1. Replacement of old rule of thumb.
2. scientific selection and training of workers.
3. cooperation between labour and management
4. Maximization of o/p.
5. Equal distribution of responsibilities.

(1) Replacement of old thumb rule:

under this principle, business decision should n't be taken based on tradition, convention, opinion, intution or the rule of thumb. such old practices have to be discontinued and in place of that, methods based on scientific solution should be adopted. Decisions should be made on scientific lines after proper investigation, evaluation and study of facts and consequences.

(2) scientific selection and training of workers:

This principle involves the selection of right man for the right job and provide them proper training to handle their job. The selection procedures for those workers ~~best suited~~ ~~to~~ have to be made scientific and may be designed in such a manner that the workers are best suited to the job that they are selected.

(3) co-operation between labour and Management:

This principle also emphasizes that there is the need of faith and mutual understanding in order to maintain co-ordial relationship between workers and the management.

The workers should be disciplined, sincere, loyal, honest whereas Management should be co-operative, friendly and believable.

(4) Maximization of output:-

This principle advocate that the management and workers should try to increase productivity. Their aim should be to achieve maximum output at minimum possible cost. To achieve this, there is a need to perform each and every ~~on~~ work on scientific ~~lo~~ methods by providing standard materials, qualitative tools and maintain better working condition and hence wastages can be reduced at all the level of works. Maximization of output also requires supply of right people to increase quality and quantity.

[5]. Equal distribution of Responsibility:

There must be proper division and distribution of responsibility among the managers and workers. The manager should be responsible for planning, organising, staffing, directing, controlling etc. where as workers should be ~~made~~ responsible for execution of works.

ENTREPRENEURSHIP

"Entrepreneurship" is considered as the combination of "enterpreneur" and "enterprise"

Enterprise is defined as a unit of economic activities or an economic organisation especially a business organisation.

Entrepreneur is a person who has already started an enterprise or in the process of starting an enterprise.

Entrepreneur is ~~considered as a~~ defined as someone who runs a business at his own risk.

Entrepreneur is also called as the risk taker.

Entrepreneur is also known as an opportunity seeker, who always remains in seach of right opportunities to convert them into projects and profits.

characteristics of an enterpreneurship:-

37. characteristics of an enterpreneur can be divided into 3 broad groups, such as:-

(1) Traits.
(2) qualities.
(3) abilities.

Traits (distinguished Features) of an enterpreneur:

(1) Initiative.
(2). concern for quality.
(3) Urge to take calculated risk.
(4). Urge for solving problems.
(5). planning.
(6). self-confidence.
(7). Efficiency orientation
(8). Risk taking.
(9) leadership.
(10). Result oriented.
(11) sense of responsibility.
(12). Time management.

Qualities of an Enterpreneur:

(1) self confidence.
(2). Risk taking.
(3) Decision making
(4) Independent thinking.
(5) Managerial skill.
(6). Intelligence.

(7) cooperative.
(8) Organising abilities.
(9). Budgeting abilities.
(10) Observational abilities.
(11) Visualisation abilities.
(12). High motivation.
(13) competetive ~~spirite~~ spirit.
(14) Non conformist.
(15). popularity.
(16) Reality oriented.
(17) control capacity.
(18) Emotional tolerance.

Abilities of entrepreneur:

(1) controlling.
(2) planning
(3) Directing
(4) Managing
(5) self-executing.
(6) Deciding.
(7) co-ordinating.
(8) Demonstrating
(9) Evaluating.
(10) ~~cova~~ organising.
(11). motivating.
(12) Innovating.
(13) supervising.
(14) sensing problems.
(15) Risk taking
(16). Result oriented.
(17) Managerial skill.
(18) Knowledge of accounting.
(19) Knowledge of income tax and sales-tax rules.
(20) Knowledge of labour laws.

39 Need of enterpreneurship:

- Enterpreneurship promotes small business in the society.
- plays an important role in the economic development of the country.
- It is a medium of employment opportunities in all societies. It is a vehicle for employment generation. & wealth.
- Increases productivity.
- Reduces the need of import.
- helps in the developing of new products.

Scanned by CamScanner

INVENTORY CONTROL:

Inventory means stock of any materials. In an organisation, inventory includes stock of raw materials, equipments, semi-processed materials, packeging materials.

It is essential to maintain stock of the materials in an organisation because without these there can't be smooth production.

It helps carrying out production activities and smooth functioning of an organisation.

An organisation can't survive on zero inventory, similary excessive inventory is also equally harmful for an organisation. so there is need of control over the purchase, storing and usage of inventory in an organisation.

Inventory saves an organisation from being expensive and ineffective. Hence there is need of inventory of various items at perfect level.

41

Importance of Inventory control:

1. It helps in maintaining uninterrupted flow of production, which helps in increasing output and decreasing cost.

2. It helps to increase efficiency and helps to achieve production target in time.

3. It helps to avoid delay in delivery to customers, which is essential for maintaining good customer relation.

4. It helps to avoid piling of stocks of finished goods at different point.

5. It helps to avoid shortage of inventories in an organisation.

6. Inventory control is helpful to maintain perfect level investment in inventories.

7. It helps to achieve effective utilization of all the inventories.

8. It helps to regulate the cost of maintaining inventories by proper management of the inventories.

9. It helps to check the loss of inventories during ~~receipt~~, storage, ~~issue~~ and usage.

10. It helps to achieve economy in production and sales.

42

Purchase Management:

* Purchase is a task usually performed by almost each and every individual. We depend on purchase because we can't produce everything that we need. Before making a purchase a person takes into account his requirement, his purchasing capacity, his willingness to purchase, price quality, quantity etc.

Similarly ~~when a business~~ In business matter, it has to take into account many factors like its requirement, price, availability of funds, availability of storage space, quality, future availability of material etc. Then it has to decide what to buy, when to buy, how much to buy, at what price to buy, from where to buy. etc.

~~succe~~ Success of an organisation also depends upon the care with which the material and equipment are purchased.

To be successful in business one has to purchase right goods at the right price, at the right time and in right ~~quality~~. quantity

* If materials purchased are more than the requirement, there is unnecessary blockage of funds, loss of godown rent, loss of material due to carelessness, theft etc.

Hence every organisation should have a separate purchase department to perform all the purchase functions.

The purchase department has to prepare a purchase budget for smooth purchase function. The purchase department should make a purchase policy. & this policy should be evaluated every year.

Steps or procedures in making purchases:

[1]. Receiving the purchase requisition

[2] Exploring the sources of supply and choosing the supplier.

(3) placing purchase order.

[4]. Making follow up letters after placing the orders.

(5) Receiving, testing & inspecting the material.

(6) checking & passing the bill of payment

[1]. Receiving the purchase requisition: (Request)

Whenever any item is needed in the organisation, it is the storekeeper, who knows it first.

Storekeeper is the person who keeps all the material needed in an organisation in his store. and issue it to different department as per their needs.

so the store keeper knows which materials are needed in an organisation. When he knows about need of a particular material, he informs the purchase department to purchase the material.

The store keeper prepares a "purchase requisition" for the material needed. & send it to purchase department.

~~original is sent~~

store keeper prepares 3 copies of purchase requisition

one copy — purchase department

2nd ,, — department requiring material

3rd copy kept by store keeper itself

purchase requisition is a (document/) form proforma ~~performa~~. to be filled by the store keeper, which contain the information like the date, purchase requisition No., name of the materials, code No, quantity, size, specification time within which it required.

(2) Exploring the sources of supply and selecting the supplier.

The purchase department usually maintains a list of all the materials needed in the organisation. It also maintain the list of of various supplier.

After receiving the purchase requisition from
45 the store keeper, the purchase department will be able to know about the materials required to be purchased.

~~The purchase departme~~

If the materials required urgent in nature, it may purchased from market, but for other materials, the purchase department invite quotation (formal statement) by issuing tender in the newspaper ~~and in the~~

Intrested suppliers may send their quotation mentioning their price and other terms and conditions on their offer. Then a best supplier is choosen, purchase should be made at best price.

<u>placing purchase order:</u>

After selecting the supplier, the purchase department has to prepare purchase order. purchase order is sent by purchase department to supplier to supply their order as per the agreement. The no of copies of purchase order to be prepared depend upon the size and policy of the organisation.

purchase order is usually a proforma, where all the details of the materials are filled in. It contains the name of the materials, its specification, size, quality, price, discount, quantity, date of delivery, terms & conding of payment.

<u>Making follow-up letters:</u>

After placing the order the purchase ~~department~~ manager should'nt remain silent and wait for the arrival of the materials. He should ensure that the purchase order has reached the supplier or n't.

 Hence he may sent a follow-up letter for confirming the order.

Receiving, Testing and inspecting the Materials:

In case of a receiving department, the receiving clerk will receive the materials. ~~an~~ He ensure that the order for that materials is actually made and supply is from that specific supplier only.

Then the packets may be opened and materials may be physically counted. If there is any shortage, breakage, it ~~may~~ inform to the purchase department who will inform the supplier immediately.

If the materials are all right, an expert may be called upon to inspect the quality of the materials. ~~on the~~ After that he prepare a inspecting note basing on which the receiving department will prepare a Goods receiving note. (GRN)

Checking and passing the Bill for payment:

After the supply is over, the supplier will prepare a bill and send it to the purchaser. The purchase department on receiving the bill will compare it with the copy of purchase order, goods received note, challan and inspection note. If everything is satisfactory, the bill will sent to the accounting department.

Then the accounting department pass the bill to
47 the cash section for payment.

BIN CARD:

Different types of materials are present at store but they are not kept at one place. ~~but~~ They ~~are~~ kept at different places for easy identification. A particular place in the store is assigned to a particular material. Hence the ~~cart~~ entire room is ~~suitably~~ devided into many parts. The place or the space assigned to a particular material is called bin. So the store contains number of bin and ~~some~~ all the bins are numbered in ~~to~~ order. A card is attach to the bin known as "Bin card."

All the Bin cards have different nos, so that there is one Bincard for each particular material.

Bin cards helps is maintained by store keeper.

Bin card helps the store keeper to control the stock.

(bill) (supply/distribute) for use or sales.

Apart from receipt, issue and balance column, the bin cards provides information about maximum stock level, minimum stock level, ordering level, re-ordering level, danger level etc.

Store ~~bog~~ ledger:

The store keeper also maintains a big register for recording the receipt, issue and balance of different materials in the store. such a register is known as "store ledger."

This register contains an account for all items of the store. It contains many pages and one page is meant for a particular material only, where receipt, issue and balance of the same material is recorded.

→ store ledger also helps the stock keeper to control the stock.

→ store ledger also ~~to~~ provides information about the maximum stock level, minimum stock level, ordering stock level, re-ordering stock level and danger level of different material.

Bin card is a record of quantity only, But store ledger is a record of quantities and values.
Bin card maintain by store keeper, store ledger is maintain by costing department.
Bin card is kept inside the store, & store ledger kept outside the store.

Goods Received Note:

After the receipt of the material from the supplier, then it is counted, tested and verified. If it is satisfactory, a Goods Received Note is prepared and showing the details of the materials received. ~~It is also known as~~ In some organisation it is also known as Materials Received Note.

GRN is a proforma which contains the details of materials received such as quantity, specification, price, date of receipt, name of the supplier, purchase order No etc. It has 3 copy. one is sent to purchase department, one to accounting department and last copy is kept by store keeper.

*. Follow up – An action or thing that serves to increase the effectiveness of previous one, as second letter or subsequent letter, phone call or visit.

PRODUCTION MANAGEMENT

Production management is that branch of management which is related to the manufacturing of goods and services of an organisation.

The main aim of each and every production organisation is to use the best method of production to produce quality goods at + and maximize the profits.

Production:

Production is nothing but the conversion of raw material into finished products.

Planning:

Planning is nothing but forecasting and deciding in advance.

Production planning:

Production planning can be defined as the forecasting or deciding in advance as to when, by whom or how the raw materials shall be converted into finish product.

51

Control:

Control is the checking and ensuring that the plans are carried on as per expectations. Without control things mayn't happen as per wish.

Production control

Production controls guides the flow of production, so that products of desired quality are produced at the appropriate time.
Production control ensures checking & ~~ensuring~~ inspecting at various points, different works.

Production, planning and control:

Production planning and control may be defined as the " co-ordination of a series of functions according to the plan, which will regulate the orderly movement of goods through the entire manufacturing cycle from the procurement of all the material to the shipping of finished goods at a predetermined rate.

Importance of production, planning and control:—

(1). ~~Planning~~ production planning and control helps to increase productivity

(2) It also minimizes the cost of converting the raw material into finished goods.

(3) ~~Pro~~ It arranges the production process in sequence so that production target is achieved in time.

(4). It helps to achieve efficiency, economy
52 and performance of work as per plan. 53

(5). production planning control helps in regulating production and maintain quality.

(6) It ~~brig~~ brings many benefits to many persons ~~like~~.

The manufacturers get increased production, higher productivity, delivery of goods to customers in time, low cost of production and higher profits.

The customers get quality product at low price and in time.

The workers get adequate wages, stable employment, job security and improved working condition, timely payment etc.

The investors get adequate rate of return ~~b~~ on their investment.

The society get the better utilisation of the wealth and creation of quality products.

<u>steps in production planning control:</u>

It includes:-

(1) planning.
(2) Routing
(3) scheduling
(4) Loading.
(5) Dispatching.
(6) Folow up.
(7) Inspection.

3) Planning:

It is the 1st step in production, planning and control programme. ~~In~~ under this the management has to prepare a broad plan for the production activities of the organisation. At this stage, the management decides the product to be produced. This also decides the resources required to carry on the production i.e the requirement of men, machines, materials, methods, processes etc.

Routing:

Routing determines the way or the exact route through which all materials will flow from one process to another until its completion as finish products. Before selecting the exact route through which raw materials will become finished goods, it is essential to study various routes and decide best route which is economical, efficient and less time consuming.

Scheduling:

After the exact route is decided, the next step to make a schedule. i.e the time table for production activities.
It involves fixation of time and date for starting and completion of ~~each~~ operation.

The whole operation is possible only when the entire work is divided into many parts, segments, bits or divisions and each portion ~~or~~ ~~are~~ of work to a particular person

54

Loading:

It is associated with the quantity of works assigned to a machine or worker. Loading of works to different machines, sections and department or individual is essential for proper distribution of duties as per the capacity of the department /machines / individuals. There should neither be overload or underload to anyone.

Dispatching:

Dispatching is the actual execution of the plans. It includes

(1). Issue of necessary materials.

(2) Allocation of appropriate labour force and required machinery.

(3). Issuing necessary orders for inspections at various stage while the work is in progress.

(4) Maintenance of records for all orders issued from time to time.

Follow-up:

It involves the checking the progress of the work. It ensures the progress of work according to plans. If there is variation in any stages, then corrective measures should be taken to ensure smooth performance of work as per plans.

55

Inspection:

It is the last stage of production planning and control. It involves the checking ~~of~~ the quality of goods produced ~~and ensure that they~~.

If there is inspection at various points, where there are chances of mistakes or deviation, so that the final product is n't rejected and wasted.

Inspection includes the appointment of inspector, at various points where the chances of deviation are very high.

Dispatching – procedure for assigning employees or vehicles to customers, courier, emergency services.

CH-7 Sales And Marketing Management.

Sales Management:

sales means actual exchange of goods and services between the buyer and seller. sale is the life of a business and it is the ultimate goal of each and every enterprise.

sale is the conversion of goods into cash. Without sale at resonable price, production has no meaning at all.

Marketing and selling are 2 different terms but are closely related.

selling is concerned with conversion of finished goods into cash. and its aim is to increase the sales volume.
But Marketing is concerned with the creation of demand and needs in the mind of the people to buy a product.

sale is one of the activities of Marketing. so marketing includes selling.

The main aim of an organisation should be to achieve good profits by increasing the sales volume.

Importance of sales Management:

1. sales Management is responsible for increase in sales volume and thereby increase profits, which is the ultimate goal of each and every business.

2. sales management helps to maintain an uninterrupted flow of goods and services.

3. It helps marketing management to achieve its by timely supply of goods and services to the customers.

4. Sales management helps to reduce the cost of selling thereby increasing the profits of the organisation.

5. Sales management is responsible for the delivery of goods and services to the customers.

6. Sales management helps to avoid unnecessary pilling of stock of finished goods.

7. Sales management is responsible for retaining the old customers by effective after sales service and thus create new customers and new demand.

8. Sales management helps an enterprise to remain and succeed in business.

Marketing Management:

Market:- Market is the place or area where business activities such as buying and selling are carried on.

Meaning of Market is different for different people.

For a buyer → A market is a place where he can ~~meet~~ satisfy his wants / need by purchasing good / services.

For a seller → Market is a place, where he convert his goods into cash.

It is a place where the producers or sellers shows his talent to motivate the buyers to buy his products.

So Marketing involves flow of goods & services from the producer to the consumers through the process of exchange. It can also be defined as the process of exchange between buyer and seller.

Marketing – need of the buyer.
Selling – need of the seller.

* No body forces the buyer to go to the market, but goes to the market intentionally to satisfy his needs. They go to the market with money and intention of buying the goods and services.

Where as the seller goes to the market with goods and services only.

* According to Harry L Hansen, "Marketing is the process of discovering and translating consumer need and wants into products and services and then in turn expand their demands".

Marketing management is the combination of Marketing and Management.

So Marketing management may be defined as the process of ascertaining consumer needs and wants and converting them into product and services and then moving the products and services

59 to the final consumers to satisfy their needs and wants.

Importance:

1. Marketing management helps to create demand and needs in the mind of the people for the goods and services of the organisation.

2. It helpful to create markets for the goods and services of an organisation.

3. Marketing management is responsible for increase in goods and services by the people.

4. Marketing management focuses on increased consumer's ~~satisfaction~~ satisfaction so that consumers creat consumers in large numbers.

5. It helps to study the markets and market conditions, to keep changing the market policies to stay in the market.

6. Marketing management helps the sales management to achieve its objective.

7.

Selling Methods:

The selection of an appropriate selling method depend upon type of product, policy of an organisation, number of consumers, location of consumers etc.

An organisation may select any one selling Methods:-

(1) Hire-purchase or instalment.
(2). Self-servicing.
(3) sale by sending travelling salesmen approaching door to door.

4. sale by offering quotation against tender.
5. Mail order.
6. Retailing.
7. whole-selling.
8. Appointing agent at different cities and town.
9. company's own show room.
10. Teleshopping.
11. E-commerce.
12. Autovending.
13. Auction sale.
14. counter sale.
15. Networking.

Hire-purchase or Instalment:

Under this method, the buyers don't pay the full price of the product. The entire price of the product is paid in monthly or yearly instalment. The first instalment is known as 'Down payment'. The buyer take possession (owning) (controlling something) of the product and start using it. But the right over the product or the ownership lies with the seller till the last instalment is paid. If the buyer fails to pay even the last instalment, the seller can claim the possession of the product. This types of selling is usually done for costly items like car, scooter, refrigerators, TV, plots and readymade flats or houses etc

Self - Servicing

This type of selling is more popular in modern society, where people are more concerned about their prestige. Under this system, goods are kept inside a large spacious shop, where customers move from one corner of the shop to the other, selecting commodities of their choice and put them into a trolley. ~~Th~~ ~~x~~ the trolley is pulled to the counter by the customer himself. The person in charge of the counter prepares a bill and then pack the commodities in a packet and hand over to the customer on payment of the money.

Sales by sending travelling salesmen Approaching door to door:

This method has gone outdated. Under this method the customers don't go to the market to buy product but the ~~sending~~ travelling seller takes the pain of The salesmen demonstrate, convience the terms and conditions and collect money.

Sales by ~~approaching~~ offering quotation against Tenders:

When large organisation or business houses or Govt organisation make purchase, ~~d~~ They don't send people to the market to buy their requirement. They issue tenders which appear in the newspaper or in their notice board. There are some organisation who sell their product only through submission of quotations against such tenders. Intrested candidate submit their quoation against the tender giving the details of price, other terms and conditions.

Mail order:

When the customers of a product are spread over every throughout the country and the product is quite handy with moderate price, the mail order from selling is quite effection. Under this the seller advertises in various medias like newspapers, T.V, Radio etc. regarding their product and also mentions that the product shall n't be available in shop. The seller sends the product by VPP (value payable by post)

Retailing:

Under this system of sale, the manufacturer appoints a number of retailers throughout the country to provide the needs of all the people. Retailer collects products and directly sell the products to the customer in small quantities.

Retailers are usually placed at a place where customers can get their requirements easily without travelling a long destance. e.g. Petrol, diesel, cooking gas, Kerosene etc. There is no wholeseller.

3 Wholesale:

Under this method a manufacturer appoints a no of wholesalers who sells the product in large quantities to the retailers. This happen in case of consumer durable products of daily use and where the no of cusumer are unlimited.

Whole salers are usually appointed at all the business centre. i.e cities and towns from where the retailers get their requirement in time.

ex:- wholesalers are appointed for soaps, matchbox, paper, clothes.

Appointing agents at different towns & cities:

Some producers don't have retailers or wholesalers but they appoint agents in different cities & town who sell their product.

They collect orders & supply the goods to the customers and paid commision for such sales.

This happens in case of product like air conditioners, medical equipment etc.

Company's own show room:

Some companies directly sell to the customers through their own showrooms. producers ~~opens~~ usually opens show rooms at all important cities and towns and maintain stock of all varities of product produced by them. ~~The~~

The customers can directly go to the show room and get the product of their choice.

example— Bata products.

* Some times such company also have other retailers or dealers.

~~Tele~~

Tele-shopping:

There are some Business organisation who telecast the programmes on Television & demonstrate different products, tell them about their uses, advantages, price etc. and convience the viewers. They also tell as to how such product can be purchased. Intrested viewer order such products.

The products are delivered at the door of the customers with in stipulated time and money is ~~called~~ collected on delivery.

* Sometime some advance payment is also requested by the seller.

E-Commerce:

Now a day there is increased use of Personal Computers by middle class and upper middle class. The easy availability of internet facilities at a cheaper cost has made the business of buying and selling very easy. This new concept was adopted by big companies for their own business but now general people are able to avail this facility with the help of modern communication network.

Autovending:

It is an innovative method of selling. In this method, an automatic vending machine is placed at for a particular product is the busy market place where the customers can get that product from the machine by inserting the amount of money into the machine. Once the exact amount of money is inserted into the autovending machine, the desire product comes out automatically.

ex:– The products that are available throug autovending are:–

· newspapers, magazines, cakes, icecreams, ~~pizzas~~ colddrinks ets.

Auction sales:

* It is a type of competition of the buyer ~~as~~ to purchase a particular good ~~and~~

✓ This is usually organised by the seller or his agent. ~~on~~ In this method, selling is carried on through public auction. The auctioner invites the purchasers, whoare called bidders to a particular place at a particular time.

The bidders are usually ask to deposit some amount of money. with the auctioner as security money to be eligible for bidding in auction.

A minimum price (floor price) is usually fixed by the auctioner and the bidders are asked to quote their rates. When the bidding is in progress, one bidder can over-ride the other by announcing higher rate.

The bidder quoting or willing to pay the highest amount is sold the goods. The ~~sold~~ sale is complete on the fall of ~~to~~ the hammer.

4. The security deposits of the unsuccessful bidders are returned.

Counter sale:

Here the manufacturers opens counter at their factory itself or at different location at important places of different cities and towns.

Here the company or the manufacturers plan to sell their goods directly to the customers.

The manufacturers appoint their own manpower to manage the counter and goods come directly to the counter from the factory.

Networking:

Under this type of selling, the seller creates a network of people and supply the product to those people through the network. This network is created by collecting membership or by having registration and the goods and services are supplied to them at the specified rates through the members of network. Such goods are n't sold at open market but the members are to collect their requirements from the other senior members. At the end the commission or bonus is calculated on the basis of sale proceeds under each member. & the % of commission varies depending upon the seniority of members.

Ex:- Amway & Modicare.

* Manufacturer does n't spent much on adverting, storing etc & saves a lot of expenses. & saves the commission payable to

middlemen. & the members in chain saves the commission which is known as bonus.

Product Policy:

Product is the most important component in the marketing management. Product policy of an organisation includes the general rules and guidelines through which the product may made available to the customers ~~The management~~ should ~~formula~~ made some guidelines ~~through which the product may be made available to the customers~~. of the product

If a product ~~policy~~ fails to satisfy consumers expectations, no product policy shall be helpful to achieve the goal of the enterprise.

In the market varities of products available. ~~in the form of~~ Hence only good product which satisfy the consumers need can enjoy a longer stay in the market. So increase consumer ~~satisfication~~ satisfaction and their desire to purchase are the key for the success of the product in the market. All other product may be available plently in large amount but don't have any buyers and fade away from the market very soon.

Hence product policy is very much important in the marketing management. so product policy should be designed very carefully.

Product policy can be 3 dimensional.

(1) Managerial dimension.
(2) consumers dimension.
(3) social dimension.

Types of products:

can be devided into many catagories, such as :- agricultural goods,

durable goods, non durable goods.

perishable goods and non perishable goods.

necessary goods and luxury goods

But, from marketing management point of view, it is of 3 types:-

(1) convenience goods.
(2) shopping goods.
(3) speciality goods.

(1)

These goods are products demanded by the customers very frequently and in small quanties.

ex:- matchbox, salt, soap, cm blade, toothpaste, agarbati

(2) shopping goods.

shopping goods are the product which need search effort and special visit to certain market. such products are n't urgently needed by customers.

ex:- furniture, domestic appliances, ornaments etc.

(3) speciality goods:-

These are the product having unique features. They sold only in special shops meant for that purpose only. product are identified with their brand. Buyer can wait to get the particular brand of the product. ex:- car, scooter, T.V.

BRANDING:

Branding is the naming of a product through which it is identified among similar product. A brandname is a symbol or a design or a combination of them which identify the goods and services of one seller from the other. Branding is use to differentiate the product of different manufactures. Brand is applied to almost all the products to have some identification make such as - trade mark, trade name, trade symbol, pictures, designs etc. It also includes distinctive lettering, colouring with or without slogan.

Branded products are easily identified and can easily recognised by the customers.

A good brandname is highly essential for success of a product in the market.

Principles of branding:

1. The brand name should indicate something about the products, its uses, benefits, quality, performance etc.

2. The brand name should be as short as possible, easy to remember, easy to spell.

3. It shouldn't be similar to any other brand name.

4. The brandname shouldn't be changed frequently

5. The brandname should be registered with the registar of Trade marks for legal protection of brand.

6. Brandname should create a pleasant association with the customers.

7. The brand should be unique & distinctive & attractive.

Packaging:

'Packaging also plays an important role in marketing a product and creating its further demand. packaging is a marketing necessity. consumers n't only want the product, but also want a attractive and eye-catching appearance of the product, which can be made by packaging.

- Packing is used primarily to prevent leakage, maintain quality, sensor for safety and freshness of a product.
- Packing is also used to print the brand name, trade mark, symbol, price, composition, instruction etc. of the product.
- But the main idea of packaging is to protect the product against loss or damage in quality and quantity.
- so packaging performs three basic purposes such as protection of goods, enhancement of product value and advertisement of the product.
- A good packaging increases the value of the product.
- ~~la~~ However some product likes heavy machineries, car, scooter's and motor cycles, etc don't requires packing. only small products which need protection are ~~used~~ in use to need packaging.

Labelling:

Labelling is a part of packaging. There is need to provide the no. of information to the customers about the product like its price, its weight, its uses etc. on the packet. Label is usually a tag attached to the packet of the product, but now a days it is printed on the packet.

Labelling provide adequate information to the user about the product. It usually includes the name of the product, its weight, its composition, date of manufacturing, date of expiry etc.

Product-Mix:

A manufacturer may not produce only one product. He may produce a number of product of different varieties.

So product-mix may be defined as the "Proportion of different products and their varieties manufactured by a producer."

Product mix includes the depth and width of product policy of an organisation.

Example:-

A company may produce bicycle, scooter, motor cycle, fans, refrigerators, TVs etc which is known as product line of the company and is called the width of the product policy.

Similary the same company may be producing bicycle of different varieties such as baby bicycle, lady bicycle, gent's bicycle, racing bicycle and bicycles of different sizes and colours. This is known as depth of product policy.

*. The product mix has to be changed depending upon market condition and policy of the organisation.

Factors responsible for change in the product mix are:-

- consumer's behaviour.
- competetitions.
- financial conditions of the producer
- producer image.
- *- change in the Composition of population.
- change in the purchasing power of customers etc.

PRICING.

Pricing is the fixing the value of the product to be sold in the market.

There are different methods of pricing depending on costs, competition, market etc. ~~These~~ most imp. methods are:-

(1) cost plus pricing:

Under this method, the producer calculate the total cost of the goods. Then a certain % of profit is added to the cost to findout the price of the product.

2. variable pricing policy:

2. Variable pricing policy:

Under this method, the producer charges different prices of the same product to different customers. So prices differ from buyer to buyer. Price is usually depend upon the volume of goods to be purchased, time of purchase, place and other related factors.

3. Base price discount:

Base price is the total cost of the product without any profit, when a product is sold below the base price, it is known as base price discount method. When a producer faces any problem, he may sell the product below the existing price so that he mayn't suffer from any financial hazard.

*. Discount:-

4. Market rate Method:-

This method of pricing depend upon the condition of the market such as demand and supply position, competition and consumer behaviour.

Market condition doesn't depend upon one seller or one product. So individual seller cann't control the market condition.

Market price may be the price determined by the ~~Govern~~ Govt or market commitees.

A producer may sell his product at the market price, below the market price or above the market price & this decision depend upon his product, its quality, reputation, cost, bargaining power of the customers etc.

5. **Skimming price ~~stragey~~ strategy:**

Under this pricing policy, whenever a new product is introduced in the market, the producer fixes a very high price of his products in order to attract the attention of the buyers and this type of product is generally use by high class buyer. But common people cann't affort it. But later on the producer lowers the price gradually to win the middleclass and lower middle class customers. & In this way it enlarges the market gradually.

*. A high ↑ initial price earns higher sales revenue higher profit & later on when price is reduced it achieves higher sales volume resulting higher profit.

ex:- ~~Thi~~ This type of pricing policy can be adopted in case of speciality goods and fashionable product.

6. **Penetration strategy:**

This policy is just opposite to skimming strategy. Under this policy, whenever a producer introduces a new product into the market, he fix a low price of the product to attract the attention of the customers and its sales volume increases. Then producer establish its brand and gradually the producer increases the price of his product depending upon the market condition.

Sales promotion techniques:

Sales promotion means increases the sales volume through different sales promotion techniques.

→ Sales promotion motivate the ~~buyer~~ dealer to buy more, stock more and sell more.

→ It encourages the sales force to increase the sell volume.

→ It convience the buyer to buy more.

3 types of sales promotion techniques:

1. Dealer promotion
2. Sales force promotion
3. Consumers promotion.

[1] Dealer promotion:

Under dealer promotion scheme, the producer try to motivate the dealers to increase the sales by offering them some additional benefits. It includes giving discount, special treatment, prizes, gifts etc.

[2]. Sales force promotion:

Under this, the producer try to motivate their own sales force to achieve higher sales volume. Different scheme are introduced to attract the sales force so that they can try their best to increase the sales volume and ~~it includes~~ the scheme includes promotions, bonus, organising contests among the sales force, conducting seminar, giving spcial gifts, honouring etc.

Scanned by CamScanner

[3] consumer promotion:

Under consumer promotion scheme, consumer are centre of attraction. Some, schemes are introduced to attract the consumer to buy the products even if they are n't needed by them. Such scheme includes giving free samples, ~~so~~ coupons, scratch card, bonous, discount, free demonstration etc.

ADVERTISING AND ITS MEDIA: It is n't enought to produce a product, But in addition to that producer has to inform the buyer about the product. Advertising is a method through which the producer informs the buyer about the product and tries to convience them to purchase.

- Advertsing is the method of creating demand in the mind of the people.

- Advertisement can be defined as the activities through which communication is sent to a target group of people for promotion of exchange of goods and services.

Now a days, advertising agencies are there who specialise in the job of advertising. They conduct ~~rese~~ research, studies innovative idea and things to motivate the buyer.

Advertising Medias:

77 The message in the advertisement should reach the target or the buyer. There are several mediums through which such message may be communicated and such mediums are known as advertisement media.

Advertisement media can be devided into 4 types:-

1. Indoor Advertisement.
2. Outdoor Advertisement.
3. Direct Advertisement.
4. Display Advertisement.

[1] Indoor Advertisement:

Under this method of advertisement, the customer stay inside his home and message reach him through various mode ~~to~~ such as:-

1. Newspapers and magazines.
2. Televisions.
3. Radios
4. Films.
5. video
6. supplements and leaflets inserted inside the pages of newspapers etc.

[2] outdoor Advertisement:

Under this method of advertisement, when the customer go outside ~~th~~ of ~~the roo~~ his home, he may get the message about the product. such methods includes:-

[1] posters.

[2] painted displays such as advertising board, wall advertisement.

[3]. Electric sign. (usually at night at busy centre like market place, railway station etc)

4. sky writting (~~Writing the~~

5. Travelling bus , taxies etc.

6. Banners across the roads.

[3] Direct Advertisement:

It includes direct contanct with the buyer, which includes,

[a] Promotional booklets.

[b]. Catelogues.

[c]. Gift like calenders, diaries, pen stand, ball pens, T-shirts, hand bags, hat etc.

[d] use of loudspeaker to announce.

[e] Affixing logos, ~~mon~~ symbols, names of products and company etc on the dresses, shoes, caps of sportsmen and players.

[f] ~~placing~~

[4] Display Advertising:

~~In~~ It includes:-

1. Window display.
2. counter display.
3. showcase display.
4. show rooms
5. Exhibitions.

INDUSTRIAL SICKNESS

Industrial Sickness of is described as the overall illness of a business organisation due to financial weakness and continuous loss due to negative growth.

An industry is said to be sick, when it is n't able to function normally

In otherwords, an industry becomes sick when it cann't fulfill the expectation of the owners, customers, workers, financers, government and the society.

Symptoms of sickness:

1. Increase in inventories.
2. Increase in quantities of slow or non moving item in the total inventories.
3. Low capacity utilisation.
4. Poor industrial relation.
5. Frequent industrial disputes.
6. Higher rejection of completed goods.
7. Delay in payment of taxes,
8. Falure to make timely payment of electricity bill, telephone bills etc.
9. Inability to pay timely instalment of loans. and its intrest.
10. Increase in intrest burden.

2 Causes of Industrial Sickness:

Several factors are responsible for sickness of an industry. But some factors initiate the process of sickness and other factor extend good support to complete sickness.

These causes can be devided into 4 types:—

(1) Internal causes.
[2] External causes.
[3] Entrepreneurial causes.
[4] Other causes.

[1] Internal causes:

These cause usually takes ~~place~~ birth inside the organisation and become a reson for the sickness of the industry. such reasons may be:—

(i) obsolete technology:

Due to old and outdated technology, production mayn't be qualitative, speedy and economical and efficient.

(ii). Non-flexibility:

The unit may lack flexibility which may be essential to adopt to any structural changes needed under the changing business environment.

(iii) Financial Mismanagement:

The finance of the organisation may be mismanaged. This may causes financial hardship and financial sickness.

[iv] Poor industrial relation:-

If the relation between the management and workers is n't good and there is no healthy working condition, then it hampers the industry.

[v]. Inefficient Management:

If all the facilities and provisions are available but there is lack of efficient management, every thing shall be fruitless. An efficient management n't only increases the profit but also convert the losses into profits where as an inefficient management can easily convert the profit into heavy loss.

[vi] Inefficient sales and Marketing activities:-

Even if there is qualitative production, due to inefficient sales and marketing, other competitors will get the chance to win the heart of the consumers.

(vii) Higher cost:

If the cost of production is high, & the rate of return is n't high then it will difficult to manage the business.

[viii] Poor quality control:-

If The ~~quality~~ control of quality is low or poor, then the business may be sick.

[ix] Higher wastage :-

If there is higher wastage of resources like time, energy, money, material, manpower etc, it will lead to loss or reduction in profit.

[x] Increase repair and Maintenance :-

Frequent stoppage or slowdown of activities for repair and maintainance will lead to lower productivity, which may result in sickness.

[xi] Over-capitalisation and under capitalisation

sometimes the entrepreneur can't calculate the exact amount of capital needed for the organisation.

so if the capital introduced is much more than the requirement, it will lead to over capitalisation, & the industry can't make full and effective utilisation of the capital. This will result in lower rate of return and profit & make a industry sick. Similarly lower capitalisation is also a harmful thing. If capital invested is low or less than the requirement, it will cause under capitalisation and which may be a cause of industrial sick.

External causes :-

Apart from the internal causes, for industrial sickness, there are many external causes for sickness of industry.

[1] Non-acceptance of product by consumer:- 5

If the products produced by the organisation are n't accepted by the consumer due to any reason, the industry is bound to become sick.

[2]. change in taste, fashion and custom of customers:

Many times there is a change in taste, fashion and custom of customer which effects the demand of the product causing sickness of the unit.

[3] shortage of raw material:-

If there is shortage of raw material in an industry, ~~&~~ then there will be less production and the industry become sick.

[4] Shortage of finance:-

If there is non-availability of finance at the appropriate time to meet the working capital needs. it will cause heavy damage to business organisation & leads to sick gradually.

[5] Sickness in customers Business:-

If there is sickness in the business of some of the customers on whom the organisation largely depends, it will also effect the business of the organisation.

(6) competition:-

Some times ~~heavy~~ due to heavy competition producer usually sell their products even at reduced price to ~~as~~ elliminate the competitors. In such case, the industry having poor foundation or poor financial strength fail to perform and become sick.

(7) Reduction in demand:-

If the demand of the product of the organisation goes down due to many reasons such as invention of new products, prices, alternative product, change in technology etc, the unit is become sick.

[8] change in Govt. policies:

Due to change in the Govt. policies on some products, some business become unprofitable & hence become sick.

example:- If the Govt. decides to import paper at low price, the domestic paper industries may become sick.

[9] When supply is more than demand:-

When supply is more than demand much goods remains unsold. Then underthis some business organisation may become sick.

[C] Entrepreneurial causes:-

Majority of the industries become sick due to the fault of the entrepreneurs.

Those are:-

(1) Improper planning:

Many ~~industries~~ industry fails and become sick due to improper planning by the entrepreneur.

(2) Lack of determination:

Lack of proper determination and lack of intrest may be the reason for the sickness of an industry. 7

[3] Lack of creativity, innovation and skill:

starting an industry and running it successfully required a lot of innovation creativity and talent. Many people/entrepreneur don't have such talent and depend on others. Hence they make the industry sick.

[4]. Attitude of the entrepreneur:-

If the attitude of the entrepreneur is clear and is for the betterment of the organisation, his struggle will prove to be the reason for his success. But if the entrepreneur is lazy, dull it is difficult for him to run a business successfully. such business usually becomes sick very soon.

[5] Intentional sickness:

If the entrepreneur has started the industry to make it sick by any means and divert its resources to other project, then nothing shall be helpful to avoid sickness.

[6] Lack of exprience:

If the entrepreneur doesnot have exprience, he maynot be able to solve many business problems and become a reason of sickness.

[7]. Sickness of entrepreneur:

If the entrepreneur becomes sick due to the personal health basis or there is ~~illness~~ prolonged illness, it will effect on the smooth running of the organisation. and industry becomes sick.

[8] Lack of entrepreneurial characteristics:

If the entrepreneur don't ^(es) posses all the characteristics, qualities, abilities, skill

8 and talent, there is a chance that the organisation will become sick.

[9] Excess dependance of Entrepreneur:—

During the initial period the entrepreneur do everything and get involved in almost all the activities to ensure success. But when they achieve success and become rich, gradually they start depending upon many persons and get things done through others. & other people try to take advantages of this independence. so excessive dependance may be the reason for the failure of an entrepreneur and the industry become sick.

[10] Improper selection of business opportunity:

It is usually seen that entrepreneurs donot take sufficient care in selecting a business opportunity. As a result of which they may select improper business opportunity and ultimately leads to sickness.

Other causes:

There are some other causes which may make a industry sick. some important causes are:—

[1] Natural causes:—

Sometimes natural activities such as flood, cyclone, drought, earthquake etc cause heavy damage to the industry and make it sick.

[2]. Social causes:—

9

[2] Social causes:-

Awareness among the people n't to use a particular product on the basis that it is harmful to health or environment and creats ~~opinion and~~ mass opinion and movement ~~againts such~~ movements against such product and the industry become sick.

[3] Liberalisation and globalisation of economy.

Due to liberalisation of economy, many foreign companies come and start their business in other countries. They bring up upto date technology, better products and better service and compete with the domestic industries. But many domestic industry can't compete with them and become sick.

[4] Other causes:

(1) Improper location of unit.
(2) Increase in the cost of project due to delay.
(3) Increase in the cost of inputs making the business.

Remedial measures of sickness:

The following measures may be helpful for the entrepreneur in order to avoid sickness of industries.

(1). All the activities should be planned carefully.

(2). Financial ~~discipline~~ management should be there.

(3) A good industrial relation should be created and maintained.

[4] ~~Enter~~ Entrepreneur, workers and managers should keep them updated and should be aware of various techniques

10

[5] Excessive dependance on others should be avoided.

[6]. The management should be done efficiently.

[7]. Keep a watch on the compotitors and their activities and prepare yourself accordingly.

[8]. Behaviour and the attitudes of the consumers may be studied carefully and one ~~should~~ should always in touch with the customers.

[9]. Remain in touch with the change in technology by visiting exhibitions, market.

[10]. Know your own faults, weakness, mistakes, ignorance and see that they don't bring problem to your organisation.

[11]. You should awake of various reasons or problems leading to sickness.

Scanned by CamScanner

CH - 8

HUMAN RESOURCE MANAGEMENT

An organisation is run by individuals. Like any other resources such individuals are the resource of an organisation and is known as <u>human resources</u>.

and there is need of managing this resources, otherwise it will be directionless or it may be unutilised or mis utilised.

- Human resource is one of the resource, which take care of all the resources.
- Human resource is known as life line of an organisation.
- Managing the human resource in an organisation is known as human resource management.
- "HRM" is the process of employing people, training them, developing policies relating to them, developing strategies to retain them.

Scanned by CamScanner

RECRUITMENTS AND ITS SOURCES:

Recruitment of manpower is considered to be the process of discovering the sources of manpower as per the job requirement and job specification.

Different sources of recruitment

It can be devided into 2 types.

i.e

Internal sources

External sources.

[1] Internal sources:

It includes

[A] Transfer:

under this system, recruitment is made by transferring ~~emplyo~~ employees from one post to another, or non post and the process is called transfer.

- usually doesn't involves any extra financial benefits to an employee.
- Nature of duties, responsibilities, status etc donot change.

[B] promotion:

under this system, post are filled up by offering promotion to higher post.

- Here the nature of duties, responsibility status, remuneration, privileges etc changes.
- It is the process of filling vacancies from lower post to higher post within the organisation.

[c] own training centres:

A no. of organisation have opened their own training centre, where they take training on regular basis.

- They provide theory as well as practical skill for a period of time.
- some successful trainees are absorbed by the organisation itself and some find employment elsewhere.

External sources:-

[A] Advertisement:-

under this system, applications are invited for different post through advertisement in newspapers, magazines, radio, TV etc.

- This type of advertisement reaches a large no of people over the large area.

[B]. campus interview:

Now a days recruiters go to different technical, professional, management institution for the purpose of selecting young and fresh talent for their requirement.

- They conduct test, interview etc. for final year students and just passed students and offer them placement in their organisation.

[c] Walk in interview:

Now a days it is a fashion for the employers/recruiters to organise walk-in interview at different town and cities to recruit man power.

[d] Employment fair / Job Mela:-

It has become a fashion today to organise employment fair or jobmela at the important places for the purpose of attracting large number of applicant for the purpose of recruitment.

[e] employment consultant:

Employment consultant provide service to the employer by providing appropriate man-power as per their need.

- This type of recruitment is usually done for skilled personnel and for top managerial jobs.

[f] employment exchange:

This is a very old source of recruitment of manpower. Government employment exchanges are there throughout the country.

It act as a agent between the employers and the Jobseeker.

[g] Direct recruitment:-

under this system, the employer notifies the requirement of manpower in its notice board which is usually at the factory gate.

This is a old method of recruitment & usually adopted for the purpose of recruitment of non skilled casual worker.

[h] . Unsolicited Applications:

Many candidates submit application for the different post at different times even if there is no vacancy in the organisation. There is a personnel department usually maintain record of such ~~organised~~ applications. such applicants can be called. for the purpose of recruitment whenever there is vacancy in the organisation.

[i] Recommendation: some times appointments are made based on the recommendation made by commitees, important persons, friends & relatives.

[j] Labour contractor: ~~Labour~~ large scale industries usually require a large number of unskilled workers but don't appoint them rather they hire their services through labour contractor.

[K]

Method of recruitment :-

- Direct Method.
- Indirect method.
- Third party Method.

Direct Method:

Under this method, the employer does the entire process by himself and does n't depend on other.

- Employer go to school, collages, universities, technical institution, management institutions for technicians, engineers, designers, specially skilled persons and professionals.

- They take help of such institutions to conduct test and interview.

Indirect Methods:

This is most widely adopted method ~~of~~ ~~is~~ of recruitment which includes mainly advertisement through newspapers, magazines, technical & professional journals etc.

- Now a days in big cities & town recruitment is done through 'walk in interview'

- under this the employer advertise in newspapers about the posts, its elegibility, the date & time of interview and the place of interview etc.

Any eligible candidate can go meet and attend the interview.

Third party Method:

Under this method, the recruitment is usually done through employment exchange, consultants services, employment agencies etc.

– Govt. employment exchanges are established throughout the country in each and every district as well as in town and cities and it is free of cost.

– While private employment agencies and consultant provide specialised consultancy and placement services for which they charge certain fee.

Selection:

selection is the process of finding out the perfect match between the requirement of the jobs and the capabilities of the applicants. selection is the process of selecting human resource based on skill, knowledge, qualification, exprience, abilities, talent etc.

The selection process includes:–

(1) Inviting applications.
(2) screening the applications received.
(3) conducting tests, interviews etc.
(4). conducting physical and medical fitness examination
(5). collecting the references and checking the antecedents.
(6) verifying the certificates.
(7) Issue of selection letter after final selec

(1) Inviting Applications:

The first step in the selection process is to invite applications from the eligible candidates. The application proforma should be designed carefully. The format may be designed in such a way that, the applicants have to give the details of their education, training, exprience, age, family background, previous employment, previous salaries, reasons for leaving the previous job, extra curricular activities etc.

[2] screening the applications:

A number of applications may be received but all the applications may not be called for tests or interview. some of the applications may be rejected due to any reasons. Hence there is the need of screening the application.

[3] conducting Tests / Interviews:

After the screening is over, the short-listed applicants may be called for employment test which may include a written examinations, group discussion etc. to test the skill, intelligence, knowledge, aptitude, personality etc. usually the applicants found suitable in the written examinations are called for interviews.

[4] conducting physical and Medical fitness Test:

All the candidates qualified in the interview should be called for a physical fitness test. The physical tests may include running, swimming, jumping, driving, cycling etc.

Apart from the physical test, there may be a medical examination of the candidates to check the eye sight, ears, heart, kidney etc.

[5] collecting References and checking the Antecedents:

After the medical and physical test are over, there is need of ~~making~~ a collecting the information about the candidates. There is also the need of checking the past records of the applicants including the report of the local police stations.

[6] verifying the certificates:

After that, the applicants may be called once again with his/her original certificates for the purpose of verification.

[7]. Issue of selection letter after final selection:

All the successful candidates are to be ranked in order of their merit and final selection may depend upon the number of post. Appointment letter or selection letter may be issued to the successful applicants in order of their rank.

TRAINING:

Training is a learning process

- Training is also known as transfer of skill, knowledge etc. from the trainers to the trainees.
- It helps the employees to enhance their efficiencies.
- Training is a continuous process from the recruitment to the retirement.
- There is need of training to those new employees before assigning them any activities.
- Training is also essential for the old employees whenever, they are put to new assignment due to promotion, transfer, change in the nature of the job, change in technology, change in product, process, machines, change in business policy, change in working condition etc.
- The main purpose of training is knowledge.

Types of training:

1. Induction training:

Induction training is a type of training given to new employees. so that they shall be familiar to all the activities going on ~~the~~ in the organisation. This training is also known as "orientation training".

→ This induction training provides the information to the new employees about the organisation, product, policies, plans, organisation structure, duties and responsibilities.

→ It also enables the new employee to learn about rules and regulation, discipline etc.

→ Induction training gives ~~the~~ knowledge to the new employee about the use of machineries, plants, equipments etc.

2. Apprenticeship Training:

Under this type of training fresh students are selected for training in an industry.

It is n't employment-oriented but it is practical knowledge oriented.

Such trainees are usually young persons who get a monthly stipend during the period of their training.

As per "Apprentices Act 1961", the passed out technicians, such as I.T.I certificate holders, vocational certificate holders, Diploma certificate holders in different branch of engineering are alloted apprentice training.

3. Refresher training

This type of training make existing employee to know about new methods, ~~las~~ latest technology, new processes, new machinaries and plants etc. to increase their efficiency and performance on their jobs.

- This type of training is organised to keep the work force upto date.
- such type of training are usually organised inside ~~th~~ or outside the organisation or both.
- such type of trainings are usually for a short period of time like 3 days, 5 days, one week, two week etc.
- The managers usually spend some money for the purpose of training.
- This type of training usually organised at distant places or even at industries or institutes.

[4.] special training:

This type of training programm are organised for the existing employees to acquire knowledge, skill, talent etc relating to new development related to their jobs.

- This type of training required due to new product, technologies, processes, procedure etc.
- Here the best suited trainee is selected for this purpose.
- The management usually pays huge amount of money for ~~sending~~ this purpose.
- This type of training is usually organised at far off places or even at other countries.

[5] Training for new jobs:

These type of trainings are organised to make the employees capable to handle the new jobs.

- Management usually doesn't appoint separate persons for the new jobs. It may select some employees out of the present workforce and train them for the new jobs.
- such type of training is generally organised inside / outside the organisation.

[6] Internship training:

"This type of training is ~~essential~~ provided to the trainees with the joint efforts of the institutes and organisation.

The theoretical portion is taken care by the institutes and the practicals are done ~~by~~ in organisation.

Training Methods:

The methods of training depend on the nature of the training, types of trainees, cost of training, availability of quality trainers and training facilities. etc.

3 types of training.

- on-the-job training
  - under-studies
  - coaching by experts on the jobs.
  - Job rotation.
- off-the-job training
  - class room training.
  - conference
  - written instruction method.
  - institutional training.
  - on-line training.
- vestibule training.

On-the job training:

[1] Under studies:-

Under this method of training, the trainee placed under an expriened person as an assistant, who acquire skill, knowledge and exprience.

This process helps the trainee to develop himself as a capable person to handle the job independently.

[2] Coaching by experts on the jobs:-

Under this method the trainees are taken to the spots where the works are being performed. Different experts of different jobs trains the trainees. They demonstrate the jobs by performing them in front of trainees so that trainees get the chance of learning at the spot.

[3] Job rotation:-

Under this system, the traine get the chance of learning different jobs. They are not only trained for one job but also trained on various jobs on rotation basis so that they get knowledge on various jobs. This is known as job rotation in which trainees are periodically rotated from one job to another.

Off-the-job training:

(1) Class room training:

Under this type of training, training are organised by for the employees either inside or outside the organisation. Lecturer or instructor act as trainers trainee and gives knowledge. He may use models, slides, overhead protection, video, audio, films, computer etc. This method is also known as lecture method

[2]. Conference:

Under this method of training, a small group of trainees are selected and they work together to train themselves.

They learn together to come to conclusion ~~of~~ of different problems and develop new techniques, skill etc.

3. Written instruction method:-

Under this method, written or printed training ~~method~~ material are supplied to the trainee. The trainees from this material learn the techniques, skill etc for jobs.

It may contain all the instruction for operating different machines, plants equipment etc.

[4] Institutional training:

There are specific institutions for specific type of training. such training courses are conducted by them regularly. So persons requiring such type of training, go to such type of institution.

They charge some fees for conducting such training.

ex:- Training nurses for hospitals.
training pilots for aeroplanes.

[5] on-line training:

Now a days since the use of computer and internet facilities is common practice, therefore anyone can acess to knowledge with the use of it.

Any one can acquire knowledges, skill, talent etc to train himself in different field to perform different activities.

Vestibule training:

This type of training is neither on the job training nor off the job training. under this method a similar to the actual working condition is created and training is given to the trainees under such condition.

18

- Here As far as ~~possible~~ practicable actual machineries, actual materials, are used and actual working condition is created.

- This type of training is done without disrupting the actual activities of the organisation.

ex:- Firemen training for fire fighting.

Performance Appraisal:

Performance appraisal means execution of duties of an individual or group.

Appraisal may be the evaluation of a matter by an individual to give an expert opinion on it.

Performance appraisal is related to the measurement of performance of an individual on the job. in comparision to others or standard established.

Performance appraisal is also known as "merit rating", "Performance evaluation", "performance rating" etc.

Performance appraisal is always objective oriented.

It is used to measure the performance of the employees, using different technique to rank them in order of their merit.

under this an employee is analysed from different angles like creativity, Integrety, personality, honesty, initiative, attitude, contribution towards the organisation etc.

Performance appraisal includes:—

(1) collection of information about the performance of employees.

(2) Measurement of performance and result.

(3). Measurement of the resource utilised.

(4) Analysis of those information, result and resource utilised.

(5) Interpretation of the analysis.

(6) Framing of opinion and impartial judgement.

(7). Making a comparative analysis for decision making.

Need of performance Appraisal:—

(1) It is useful to identify the strength, weakness, merit, demerit of an employee.

(2). It is useful to identify the employee need for training and area of training.

(3) It is ~~also~~ needed to determine the salaries and wages on the basis of the performance.

2

[4]. It is needed to identify the employees eligible for promotion.

[5]. It is useful to locate the employees suitable for reward or punishment.

[6]. It helps the management to fix target, assign additional duties and responsibilities or reduce the work burden on employees etc.

[7] It also ~~act as a~~ helps in the self development of an employee.

[8] It helps to motivate an employee to put their best.

[9]. It is needed to decide the transfer of employees from one post to another or from one place to another.

[10]. It is needed for effective manpower planning.

CHAPTER-3
FINANCIAL ACCOUNTING AND COST CONTROL

Double entry system of book keeping:

An important aspect of financial management is the maintainance of financial records of a business. For good financial management all the financial events and transactions must be recorded. so the maintainance of records of the financial transaction is known as "Book keeping". Book means record and keeping is maintaining, so book keeping means, record keeping or record maintaining:

Every business has to maintain records of its financial activities to know the profits. The maintainance of such records is also compulsory in majority of the cases, because the business has to submit a number of reports and return to the Government.

so whatever may be the reasons, every business has to maintain records of its financial transactions in a systematic manner.

Book keeping is the maintainance of the accounts in a systematic manner. usually almost all the business organisation now a days maintain account under double-entry system of book keeping. under this system each and every business transaction is recorded twice.

under the double entry system of book keeping a business usually maintains a number of accounts such as cash A/c, salary A/c, Rent A/c, intrest A/c, Raw material A/c, machineries A/c, Bank A/c etc.

Accounts :-

All most all business organisation maintain their financial records under double entry system. To facilitate the maintenance of accounts under double entry system of book keep all the accounts have two sides each.

The left side of an account is known as the "debit side." shortly known as Dr. side. and the right side of an account is known as "credit side" shortly known as cr. side.

All the accounts are devided verticall into 2 sides from the middle of the account. so an account has many column on both the side such as the date column, particular column, Journal folio column and the amount column.

specimen of An A/c.

Dr. Cr.

Date	Particulars	J.F	Amount	Date	Particulars	J.F	Amount.

All the accounts maintained by a business are devided into three catagories.

- Real A/c
- Personal A/c
- Nominal A/c.

Real A/c :- It refers to all the real things which are visible and tangible.
such as :- cash, machinaries, buildings, furniture, materials, finished goods, equipment etc.

Personal A/c - It refers to all the accounts of different individual or persons as well as all artificial persons. like, companies, bank like LIC, SBT etc.

Nominal A/c - It refers to all the accounts related to different incomes, expenses, losses and gains. These are not visible or tangible.
ex:- Rent, intrest, salary etc.

Real

Rule of Debit and credit:-

A business transaction is recorded to under double entry system of book keeping. i.e. once o the debit side of an account and once on the credit side of another account.

So every transaction have 2 effect. one is debit effect and another is credit effect.

The same transaction shall be recorded once on the debit side of one account and again on the credit side of another account reflecting the same amount.

So every transaction involves atleast 2 accounts.

ex:- purchased machine of Rs 10,000/- by paying cash.

Here in this transaction 2 accounts involved. one is cash account & another is machinery account.

But the main problem here is to decide as to in which account it shall be shown on the debit side and on which shall be credited.

To know this one should know the rule of debit and credit.

Real A/c { Debit what comes in.
credit what goes out.

Personal A/c { Debit the receiver.
credit the giver.

Nominal A/c { Debit all the expenses. & Losses
credit all incomes and gains.

Real A/c - example:- Purchase machine of Rs. 10,000 by paying cash.

Machine and cash both are real things. Machine is coming in to the business and cash is going out of the business.

Purchase of machine for cash shall be recorded on the debit side of Machinery a/c. & cash shall be recorded on the ~~cash~~ credit side of cash A/c.

Personal A/c - example:-

If any one is receiving something, it will be recorded on debit side of his account and if some one is giving something it would be recorded on the credit side of his account.

example:- The business gives some goods to Mr, Ram on credit.

It would be recorded in the debit side of Mr. Ram A/c. as Ram is the receiver of goods & goods are going out of the business. so it would be recorded on credit side.

<u>Nominal A/c</u>:- salary is paid Rs 5000/- All the salary is an expense.

* All the expense are written on the debit side. and all the gains are written /pr shall be recorded on the credit side of th account.

ex:- suppose salary is paid Rs 500/-.

Salary is an expense here, so it would be recorded on the debit side of salary A/c.

cash is going out so it is recorded on the credit side of cash A/c.

Journal:-

Whenever a transaction takes place, it has to be recorded in the journal first, which is known as book of primary entry. Hence all the transactions are recorded in journal and all the entries made in the journal are known as journal entry.

Example:- Rent paid Rs 500/-.

Here in this transaction 2 accounts involved. Those are:- Rent A/c, & cash A/c.

Rent is a nominal A/c.- and all the expenses have to be debited. So rent shall be debited. that means it would be written on the debit side of the rent A/c.

Similarly, cash is a real A/c, which says ~~credit~~ debit what comes in, ~~debit~~ credit what goes out.

Here cash is going out. so cash A/c has to be credited.

so journal entry shall be,

Rent A/c Dr ------ Rs. 500

To cash A/c ------ ------ Rs 500

Q:- Make a journal entry :: sold goods of Rs: 5,000 on cash.

Journal entry shall be,

cash A/c Dr ------ Rs 5,000

to goods A/c. ----- Rs 5,000

Date	Particulars	L.F	Debit Amount in Rs	Credit Amount in Rs

Ledgers:-

At the end of the day all the entries in the journal are transferred to the respective accounts i.e the ledgers.

The transfer of entries from journal to the ledgers or different accounts is known as posting.

ex:- All the cash entries are transferred to the cash A/c. i.e all the debits shall be transferred to the debit side and all the credit entries are transferred to the credit side of respective account.

Cash Book:

For convenience, a separate cash book is maintained to record all cash transactions. It is just like a cash A/c. The cash book is a register which contains 2 sides divided vertically from the middle of the register.

- The left side is the debit side also called receipt side
- The right side is the credit side also payment side.
- All the cash receipts are recorded on the debit side/ receipt side, of the cash book.
- All the ~~cash~~ payment are recorded on the credit side/ payment side.
- The cashbook is balanced everyday to know the cash balance.

Scanned by CamScanner

cash book can be of three types. such as:-

(1). cash book with cash column - single column cash book.

(2) cash book with cash column ~~s~~ and discount column. - Double column cash book.

(3). cash book with cash column, discount column and bank column. - Triple column cash book.

PETTY cashbook:-

In a Business there will always be a large number of cash transaction. All the cash transactions have to be recorded properly. In a business there may be small transaction aswell as big transaction. That means there may be a transaction of Rs. 1,00,00,000 at the same time there may be another transaction of Rs. 1.50 P. There may be the purchase of post card aswell as machine of crores of rupees. ~~If~~ so if all the big and small transaction are put together in one cash book it will be little inconvenient ~~&~~ the cash book will be very much lengthy.

Hence it better to separate small transaction from the big transactions.

That's why all small or petty cash transactions are separately recorded in another cash book called as "Petty cash book.".

- petty cash maintain in a register known as petty cash book and the person maintaining the petty cash transactions and petty cash book is known as petty cashier.

Trial balance :-

Preparation Trial balance is prepared before the ~~application~~ of final accounts and after all the accounts are closed.

Trial balance is not an account.

Trial balance is a statement which contains summary of all the account.

- Trial balance is divided into 2 sides, the left side is the debit side and the right side is called credit side.
- All the debit balances of different accounts are put on the debit side of the trial balance and all the credit balances of different accounts are put in the credit side of the trial balance.
- The total of ~~the~~ both the side of the balance must be equal.
- If there is difference, that means there is a mistake or error in the preparation of accounts and it must be rectified.

Trading A/c :-

Preparation of trading account is the first step in the preparation of final accounts.

From the information provided by the Trial balance, one can prepare trading A/c, profit and loss A/c. and the balance sheet.

For a manufacturing concern, Trading A/c is known as Manufacturing A/c.

- Like any other account Trading A/c has 2 sides, the left side is the debit side and the right side is the credit side.
- on the debit side, all the expenses relating to trading or manufacturing are recorded. and on the credit side incomes from operation are recorded.
- Both the sides i.e debit sides and credit sides may not be equal.
- If the total of the credit side is more than the totals of the debit sides, the difference is known as "Gross profit".
- on the other hand, if the total of the debit side is more than the total of the credit side, the difference is known as "Gross Loss".
- Trading A/c or manufacturing A/c is the first statement of the final account.

Profit and Loss A/c:-

Profit and Loss A/c is prepared from the information provided by the Trial balance.

It can be prepared only after the preparation of Trading A/c or manufacturing A/c. Like Trading A/c, profits & Loss A/c has 2 sides. The left side is the debit side and right side is the credit side.

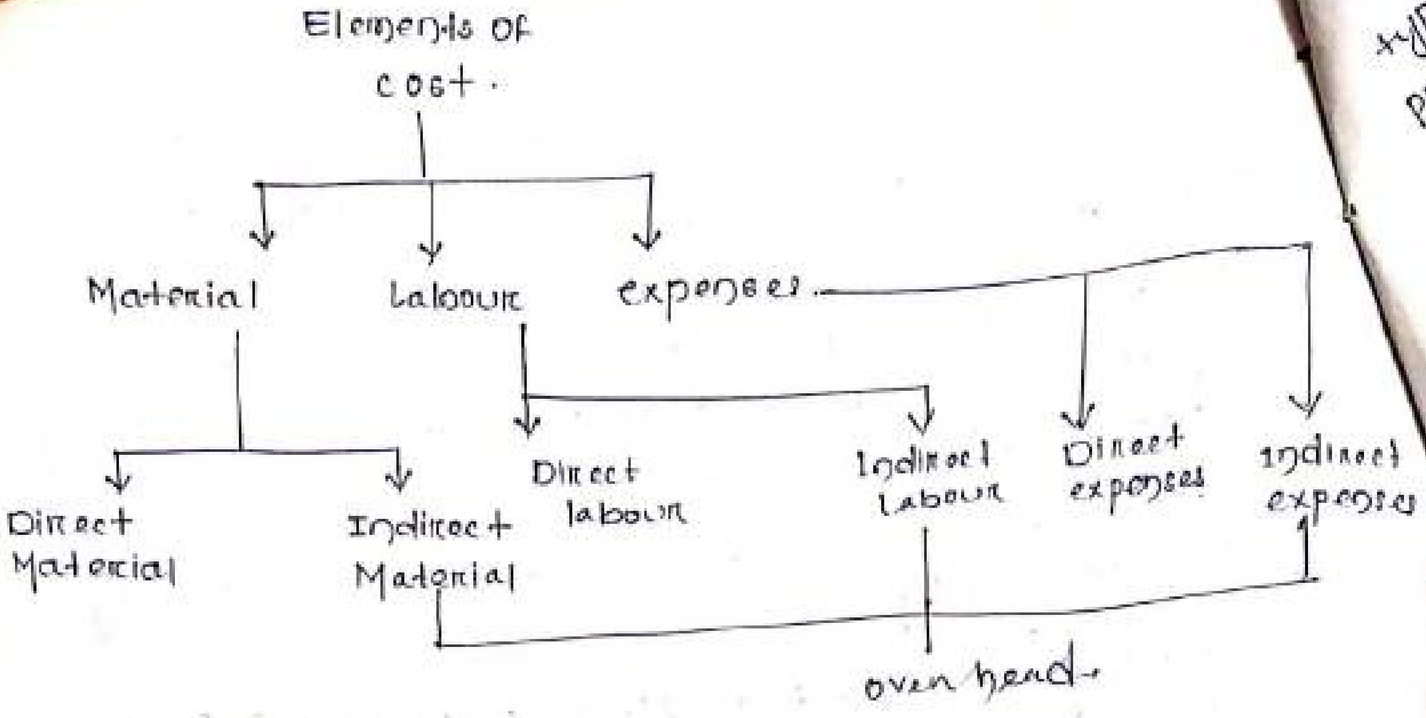
- The gross profits or the gross loss of the trading manufacturing A/c is transferred to the profit & loss
- If there is gross profit, it is written in the c side of the profit and loss A/c.
- on the other hand, If there is gross loss, it is written in the debi side of the profit and loss A/c.
- All other expenses, except these already shown on the debit side of the trading or manufacturing A/c, are written on the debit side of the profit & loss A/c.
- The items written on the debit side of the profits and loss A/c; Gross loss (if any), salaries, rent, Advertisement, intrest, telephone charges, electricity charges, printing and stationary, repair and maintainance of machine
- similarly, All other incomes, except those already shown on the credit side of the Trading or manufacturing A/c, are written on the credit side of the profit & loss A/c.
- The item written on the credit side are:- gross profits, intrest received, and any other incomes related to the business.
- If the total of the credit side is more than the total of the debit side, the difference is a "Net profit".
- on the other hand If the total of the debit side is more than the total of the credit side, the diffrence is a "Net loss".

Balance sheet:

Balance sheet is prepared from the information provided by the trial balance and profit and loss A/c.

- Balance sheet is prepared at the end of the financial year, only after the preparation of the trading, profits and loss a/c.
- Balance sheet can also be prepared quaterly or half yearly.
- Trading, profit and loss A/c is prepared for a ~~day and not for a~~ year but balance sheet is prepared for a day. ~~not for a~~
- Balance sheet reflects ~~ex~~ the exacts financial position of a business on a particular day.
- Balance sheet is a statement. not an account.
- Balance sheet has 2 sides. the left side is the liabilities side. and the right side is the assets side.

Scanned by CamScanner



Material:-

Materials are most important ingredients of a product. For cost accounting purpose. materials are devided into 2 catagories:- i.e Direct Material
Indirect Material.

(1) Direct Material:-

Direct material are those materials which are used in the manufacturing of finished

- It enters the production process as raw materials.
- such materials can be easily identified as a finished product.

Ex:- wood use in the furniture making.
wool in sweater making.
cloth in dress making.

INDIRECT MATERIAL:-

Apart from the direct materials, so many other type of materials are used in manufacturing a product.

They are not easily identified in a finished product.

- They donot enter into the production process directly.

ex:- Thread in dress making.
nails in furniture making. etc.

Labour:-

Material cann't automatically converted into finished goods. They require human efforts. i.e labour.

2 types:-

- Direct labour
- Indirect Labour.

Direct labour - Direct Labour is the labour, who is directly engaged in production, ~~maintenance~~, i.e converting the raw materials into finished goods.

ex:- labour ~~engage~~ directly engaded in production, supervision, maintenance, transportation or material inside the factory etc.

Indirect ~~Material~~ Labour :-

Labour engaged other than production is known as indirect labour.

ex:- clerical staff, instructor, security personnel etc. apprentice & trainee etc.

Expenses:-

Apart from from the material and Labour cost, there are so many other expenses to carry on production and without which there can't be any production.

Direct expenses

Indirect expenses.

Direct expenses:- All the expenses other than direct material and direct Labour, which are specifically spent for a particular product, job or process is known as direct expenses.

example:- Architech's fee, experimental expenses, hire charge of machine brough on hire, maintenance & repair of machineries, etc.

Indirect expenses:- Besides the direct expenses some other expenses are there which are not specifically spent for a particular product, job or process. Such expenses are general in nature.

example :- Rent, insurance, interest,
general manager's salary,
telephone, telegrams & cost of
training of new employees, advertisement,
transportation etc.

Over head -

Overhead is nothing but the combination of indirect material, indirect labour & indirect expenses.

For cost Accounting process, overhead may be classified into 4 catagories.

- Production overhead or Factory overhead.
- Office or administrative overhead.
- Selling Over head
- distribution overhead.

Production overhead :-

Production overhead includes all the indirect costs (i.e indirect material, indirect Labour, indirect expenses) inside the factory for production purpose is known as production overhead.

— Production overhead is also known as "Factory overhead" or "works overhead".

ex :- Repairs and maintainance of plant and Machinary, electricity charges,
Fuel, oil, lubricant, used in production department. & other expenseses made in production department

Administrative overhead:-

Administrative overhead includes all the expenses made in the office to carry in the administrative work. Also known as office overhead.

- Administrative overhead refers to all the indirect material, indirect labour & indirect expenses spent in the office for for day to day administration of the organisation

example :- general managers salary, salaries & wages paid to clerk and other office staff, telephone bill, office rent, repair and maintenance of office machineries, etc.

Selling overhead:-

selling overhead includes all the indirect materials, indirect labour and indirect expenses spent in selling the product.

ex:- sales exp office expenses, salesmen salaries, advertising, etc.

Distribution overhead:-

All the indirect material, indirect labour and indirect expenses spent to distribute the product to various centres & customers is known as Distribution overhead.

ex:- ware house rent, warehouse insurance, warehouse staff salaries, expenses on delivery vans, payment to delivery staff, loading & unloading charges etc.

Break-even Analysis:

The break-even analysis will be helpful to the management to know whether the business is running on profits. It also helpful to forecast the profits at various level of production.

For the purpose of break-even analysis, cost is divided into 2 catagories. such as.

[1] Fixed cost.

[2] Variable cost.

Fixed cost:-

Fixed cost are those cost which remain fixed in total and donot increase or decrease with increase or decrease in production.

Example:- Rent, Insurance premium, general manager's salary, Watchman salaries etc.

Variable cost:-

Variable cost are the costs/expenses which vary and not remain fixed.

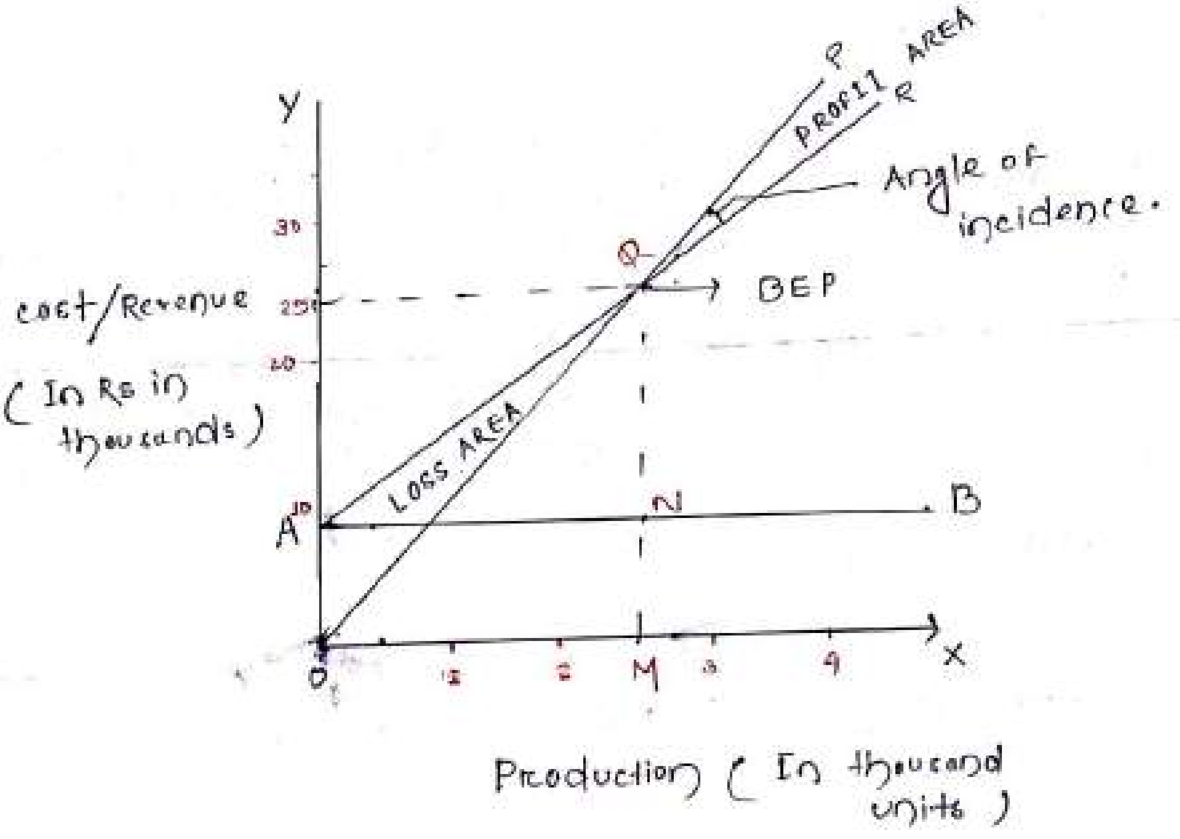
Example:- cost of raw materials, manufacturing wages, royalty, excise duty etc.

BREAK EVEN POINT:-

The break even point is the point where total cost is equal to total revenue.

Break-even point is also known as the point of no profit and no loss. At this point the total expenses is equal to the total incomes.

Break even analysis will help the management to forecast the profit at various level of production activities.



[Graphical Representation of BEP]

In the above diagram OX axis represents production in units and OY axis represents cost/revenue in thousand rupees.

AB - Fixed cost curve, which is a horizontal line because fixed cost always remains constant at all the level of outputs.

AR - Total cost curve
(As the production increases, total cost also increases)

Total cost = Fixed cost + Variable cost.

OP - Total sales or revenue line.

OP curve crosses the AR curve at point Q. At the point Q both sales and cost are same.

Q - Breakeven point.

QM - Total cost at the BEP.

QN - Variable cost at BEP.

MN - Fixed cost at BEP.

Production at this point 'Q' is known as breakeven production and sales at the point of Q is known as breakeven sales.

- Area at the right of the breakeven points represents the profit area and the area at the left of the breakeven point is known as the loss area.

That means, if production increases beyond the BEP, there will be profit.

But if the production falls below the breakever point, there will be loss.

The angle created at the right side of the BEP is known as the "Angle of incidence."

*. Assumption of Breakeven analysis:-

While calculating the breakeven point one has to assume the following conditions.

(1) All the cost can be separated into 2 catagories, i.e Fixed cost and variable cost.

(2). Fixed cost must remain constant at all the levels of output.

(3). Variable cost must vary in direct proportion to the volume of production.

[4]. All the goods produced are assumed to have been sold.

[5]. The selling price per unit of the finished goods must remain constant.

[6] There should not be any change in the operating efficiency of the organisation. Efficiency of men, machines and materials must remain unchanged.

[7] Breakeven analysis is applicable only when the firm is producing one product.

Advantages of Breakeven Analysis:-

[1] The information reveal by the breakeven analysis are more useful than the information obtained from the profit and loss A/c. and the balance sheet.

[2] It provides useful information to study the relationship between cost, volume and profit.

[3] This information is also necessary for taking managerial decisions.

[4]. This analysis is useful to forecast the profit as well as the cost at a given level of output.

[5]. Break-even analysis act as a tool to control the cost and regulate the expenses on each items.

[6]. B

Disadvantages:-

[1] The assumptions of breakeven analysis are not practicable.

[2] The information provided by breakeven analysiss maynot be quite informative for taking important managerial decision.

[3] Increase in production maynot be accompanied by increase in profits, because it is a future event full of uncertainties.

CHAPTER-4 Financial Management.

Finance management is the branch of management which looks after the finance function of an organization.

In a business organisation there is regular inflow and outflow of finance for which there is need of regulating these activities effectively and efficiently so that there is more inflow than the outflow.

Finance management is the activities performed for the planning, procurement, utilization and controlling of financial resources.

Financial management include management of cash, bank balances, capital, incomes, expenditures, borrowing, lending, investing, sale and purchase etc.

Importance

- Finance management is the most important component in a business and it is the root cause of all the business activities.
- Finance is needed to turn ideas into projects and profits.
- Finance is considered as the blood of the business ~~etc~~. without which it can't survive.
- Finance is not only required to start a business but also require to run it successfully.
- Management of finance is not a one time affair but it is a continuous activity.
- The main aim of financial management is to increase the profit.
- Financial management is responsible for increasing the financial strength of a business
- Financial management is responsible for ~~per~~ proper use of fund.

Finance Functions:

Finance function of an organisation is usually managed by a separate department called the finance department. The head of the finance department is finance manager.

- The finance manager should be exprienced, skilled and capable enough to handle finance function independently.
- The finance manager has to make available sufficient finance to organize the business.
- All the decision taken in business ultimately becomes a financial decision. Hence the management should take decisions carefully in consultation with the finance department.
- All the department should co-ordinate the finance department for smooth performance of the finance function.

The finance department has to take 3 important decision:-

(1). Whether money shall be invested in the proposed project?

(2) If yes, decide the source of fund for the proposed project.

(3) Whether the proposed project will generate profit or not.

Capital :

The amount of money invested in a business is known as capital.

capital is invested to start a business and run it.

- capital is the blood of the business

Types of capital

capital

Fixed capital | Working capital

Fixed capital

Fixed capital is the amount of money invested in fixed assets like land, buildings, plant, machinery, equipment, tool, furniture etc to create physical ~~infrastructure to carry on business.~~

Usually a large amount of money is blocked for a long period of time in the form of fixed capital. Therefore fixed capital is also known as blocked capital.

Fixed capital depend upon the nature of industry, type of product, size of the unit, technique of production, volume of production etc.

heavier the size of the organisation → high will be the requirement of fixed capital

smaller the size of the organisation → lower will be requirement of fixed capital

Working capital:

The amount of money invested in raw-materials, wages, salaries, electricity charges, transportation charges, advertising, Insurance premium, telephone charges etc to run the business is known as "working capital"

The amount of working capital requirement depend upon the type of business, type of product, volume of production, stock policy of the organisation, time required in manufacturing etc.

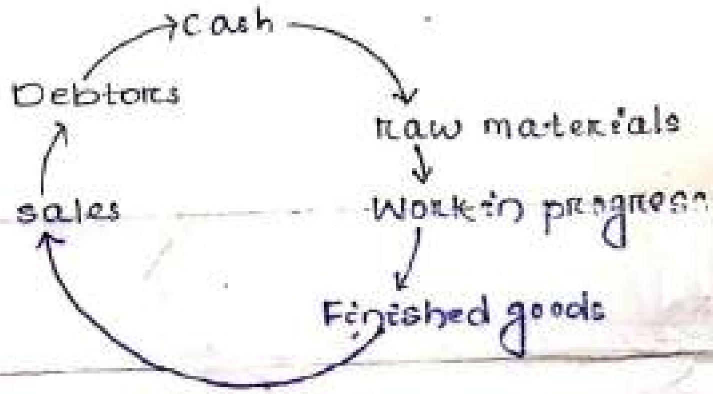
Fixed capital	Working capital
1. Fixed capital is the amount of money invested in fixed assets like land, building, machinery etc.	1. Working capital is the amount of money invested in current assets like raw-materials, wages, salaries, advertising etc.
2. Fixed capital create an infrastructure for carrying on business.	2. Working capital is needed to ~~meet~~ run the business
3. Fixed capital is needed once only.	3. working capital is needed all the time.
4. Fixed capital is also known as blocked capital	4. Working is also known as revolving or circulating capital.

Scanned by CamScanner

Working capital cycle: (operating cycle)

As production is continuous process, the need of working capital is also continuous. cash is not converted into cash instantly. cash is the most important element in working capital and all other element depend on this element.

– When cash is put into the business in the form of working capital it will go through various stages and take long time to converted into cash once again.



[Working capital cycle.]

In this process of business, cash is converted into the raw material, raw materials with the help of labour converted into semifinished good or work is in progress by processing, reprocessing, modifying refining etc. and after lots of activities it is converted into finished goods. After that finished goods are converted into sales and sales into debtor. The debtors pay cash ~~once~~.

Hence the process of converting cash into cash once again is known as working capital cycle or operating cycle.

CHAPTER-2 (Investment limits of MSME)

Industry:

- Micro Enterprise
  - Manufacturing (doesn't exceed Rs. 25,00,000)
  - Service (doesn't exceed 10,00,000)
- Small Enterprise
  - Manufacturing (25,00,000 - 5crores)
  - Service (10,00,000 - 2crores)
- Medium Enterprise
  - Manufacturing (5cr - 10cr)
  - Service
- Large Enterprise
  - Manufacturing (More than tencrores)
  - Service (More than 5cr)

After the selection of the industry and product, the entrepreneur should prepare the project report on his project. Project report is necessary as it is required for the purpose of registration, licence, permission and loans.

Project report is the mirror through which one can see the entire picture of an organisation in advance.

There is 2 types of project report:-

(1) Preliminary project report (PPR)

(2) Detailed project report (DPR)

PPR:

~~A~~ It is brief summary of project, which describes about the expected inputs and outputs like finance, manpower, materials, machinery, technology, production, profits, sales etc.

PPR:

Introduction

[1] [A] Information about the entrepreneur:

Name:

Address:

[B] Information about the proposed product

Product:

Location:

[2] Market potential:

- Area over which his product may be sold.

[3] Basis of presumption:

- The avg working hour per day, per month, per year

- when plant operates with full capacity.

[4] Impementation schedule:

- Time taken for completion of the project.

[5.] production target:

- The production programme of the unit per annum.

[6] Technical details:

- Here entrepreneur has to mention all the technical details of his project including, manufacturing process, quality & standards, pollution control measures etc.

[7] Financial details:

Fixed capital:

[A] Land and building

[B] Machinery and equipment.

[C] Miscellaneous fixed assets.

[D] preliminary and preparative expenses.

Working capital:

3

[a] Raw material

[b] salaries and wages

[c] utilities

[d] other expenses

[8] Total capital investment /cost of the project:

[9] cost of production per annum

[10] Turnover per annum:

[11] profit before Tax:

Turnover per annum − cost of production per annum

= Profit before tax.

[12] Break even point (BEP)

$$BEP = \frac{\text{Total fixed cost}}{\text{Total fixed cost} + \text{Profit}} \times 100$$

[13] Profitability ratio:

$$\text{Profitability} = \frac{\text{Profit}}{\text{Turnover}} \times 100$$

[14] Rate of return on investment:

$$R = \frac{\text{Profit}}{\text{Total investment}} \times 100$$

[15] [A] List of suppliers of plants and machines:

[B] List of suppliers of raw materials.

[c] Bank and branches having financial operation.

Date:-

Sign. of the entrepreneur

Detailed project Report : (DPR) 4

DPR is the detailed elaboration of each and every information mentioned in PPR.

example:- Furniture is one item in the PPR but for preparation of DPR, all the information have to mention about the furniture in details like, size, specification, use, price, quality, name of the supplier, date of supply, date of payment, transportation expenses of such furniture.

Role of DIC, OSFC, OSIC, IDCO, SIDBI, IPICOL and commercial bank in the context of MSME.

1. DIC - District industries centre.

- Provide assistance to the entrepreneurs
- conduct multiple training programs to encourage the entrepreneurs.
- provides the information on sources of machinery and equipment.
- Allots raw material to the concerned industries at district level.

2. OSFC - Odisha state Financial Corporation.

- Promote small and medium scale industries
- Empower micro, small and medium ~~enterpris~~ enterprises.

3. OSIC - odisha small industries corporation.

- Promote MSME in the state for their ~~ed~~ sustained growth and development.

4. IDCO - odisha industrial infrastructure development Corporation.

- Helps in developing infrastructure facilities in the industrial area for rapid establishment and growth of industries

5. SIDBI - Small industries development bank of India.

- Helps for promoting, developing and financing MSME.

6. IPICOL - Industrial promotion and investment corporation of odisha.

- promote medium and large scale industry in the state.

7. Commercial Bank - Provide financial support and empower MSME.

CHAPTER-10

Industrial Legislation.

THE FACTORIES ACT, 1948:

The factories Act, 1948 is applicable to the whole of India. This Act came into force with effect from 1st April 1949. This act deals with the laws relating to employment of labour in factories. The main aim of this act is to secure health, safety, welfare, proper working hours, leave and other benefits to worker.

Factory Inspector (Section 8)

The state Govt. may by notification in the official Gazette, apoint such persons as possess the qualification to be inspectors for the purpose of this Act and may assign to them some ~~limits~~. local limits.

Power of Factory Inspector (Section-9)

- Make examination of premises, plant, machinary and substances.
- Inquire into any accident or dangerous accurance, whether resulting in bodily injury, disability or not.
- Required the production of any register or any other document ~~as he may~~ relating to the factory
- Seize or take copies of any register, record or other document as he may consider necessary.
- make photograph and measurement and make such recording as he consider necessary for the purpose of any examination.
- The inspector may take possession of substance and detain it for so long as necessary for such examination.

HEALTH PROVISIONS:

A number of provisions have been made in the Factories Act 1948 for the maintainance of the health of the employers.

Cleaniness

Every factory shall be kept clean accumulation of dirt shall be removed daily by sweeping

the floor of every workroom shall be cleaned atleast once every week by washing.

Effective mean of drainage shall be there.

Disposal of wastes and Effluents:

* Effluent – liquid waste material that comes out of factories

Effective arrangement shall be made by every factory for the treatment of wastes and effluents due to manufacturing process.

Ventilation and Temprature:

Effective and suitable provision shall be made for adequate ventilation by the circulation of fresh air.

Walls and roofs shall be of such materials and so designed that such temprature shall not be exceeded but kept as low as practicable.

Dust and fumes:

In every factory due to the process of manufacturing dust or fume are produced which is dangerous. So effective measures should be taken to prevent its accumulation

Artificial humidification

The humidity of the air should artificially increased. Different method should be adopted for ventilation and cooling of the air and the workroom.

Overcrowding:

No rooms in any factory should be ~~overcrow~~ overcrowded to an extent injurious to the health of the workers.

Lighting:

In every part of a factory, where workers are working or passing there shall be provided and maintained sufficient and suitable lightning which may be natural or artificial or both.

Drinking Water:

In every factory effective arrangement shall be made and maintained at suitable points for all workers. For the drinking water.

latrines and urinals

In every factory sufficient latrines and urinals facility should be there and it should be maintained in a clean and sanitary condition.

spittoons: In every factory there should be provided a sufficient number of spittoons in convenient places and it should be maintained in a clean and hygienic condition.

SAFETY PROVISIONS:

Fencing of Machinery

In every factory, every moving part of a prime mover, fly wheel connected to a prime mover, every part of electric generator, motor, and every dangerous part of any other machinery should be fenced.

Work on or Near Machinery in Motion:

While the machinery is in motion, operation shall be made or carried out only by specially trained worker wearing tight fitting clothing.

No workman or young person shall be allowed to clean, lubricate or adjust any part of a prime mover or of any transmission machinery while the prime mover or transmission machinery is in motion.

Employment of young persons on Dangerous Machines:

No young person shall work at any machine ~~to which~~ unless he has been fully instructed.

Striking Gear and Devices for cutting off power:

In every factory suitable striking gear or other efficient mechanical appliances shall be provided and maintained

In every factory suitable devices for cutting off power in emergencies from running machinery shall be provided and maintained in every workroom.

Scanned by CamScanner

Self-acting Machines:

No traversing part of a self-acting machine in any factory allowed to run on its outward or inward within a distance of eighteen inches from any fixed structure.

Casing of New Machinery:

every set screw, bolt or key ~~or~~ on any revolving shaft, spindle, wheel shall be encased or otherwise effectively guarded as to prevent danger.

Prohibition of Employment of Women and children near cotton openers:

No women or child shall be employed in any part of a factory for pressing cotton in which a cotton opener is at work.

Hoist and lifts:

In every factory, every hoist and lift shall be of good mechanical construction, sound material and adequate strength.

Lifting Machines, Chains, Ropes and lifting Tackles:

In every factory, other than a hoist or lift every lifting machine and every chain, rope should be of good materials.

Revolving Machinery: Effective measures shall be taken in every factory to ensure the safe working speed of every revolving vessel, cage, Fly wheel, disc, pulley driven by power is n't exceeded.

Pressure plant:

Effective measures shall be taken to ensure the safe working pressure.

Floors, stairs and Means of Access:

All floors, steps and passage shall be of sound construction and should properly maintained.

pits, sumps, opening in floors etc:

In every factory every tank, pits or opening in the ground or floor shall be either securely covered.

Excessive Weight:

No person shall be employed in any factory to lift, carry or move any load as heavy as to be likely to cause him injury.

Protection of Eyes:

Risk of injury to the eyes from particles thrown off in the course of the process and risk to the eyes by reason of exposures to excessive light should be taken care of.

Precaution against Dangerous Fumes:

No person in any factory shall enter or permitted to enter any chamber, tank, pit, pipe or confined space in which dangerous fumes are likely to be present.

Precaution Regarding the use of portable Electric light.

No portable electric light or any other electric appliance of voltage exceeding twenty four volts shall be permitted for use inside any chamber, tank, pit, pipe or other confined space.

Explosive or inflammable Dust, Gas etc:

Where in any factory any manufacturing process produces dust, gas, fume or vapour to such extent as to be likely to explode to ignition or practicable measures shall be taken to prevent any such explosion.

Precaution in case of fire:

In every factory there shall be provided such means of escape in case of fire

- In every factory the door affording exit from any room shall n't be locked.
- There shall be provided in every factory effective and clearly audible means of giving warning in case of fire;
- Effective measures shall be taken to ~~ensure that~~ where explosive or highly inflammable materials are used or stored.

Power to require specification of Defective parts or Test of stability:

If it appears to the Inspector that any building or part of a building or any part, machinery or factory is in such a condition that it may be dangerous to human life, he may give order in writting to furnish such particulars, which may be necessary.

Safety of building and Machinery:

If it appears to the inspector that any building or part of a building or factory is in such condition that it is dangerous to human life and safety, he may order the manager to take preventive measures

WELFARE PROVISIONS

Washing Facilities:

Suitable washing facilities for washing shall be provided and maintained.

Facilities for storing and drying clothes:

Suitable places should be there for keeping clothing not worn during working hours and for drying of ~~cloth~~ wet clothing.

Facilities for sitting:

In every factory suitable arrangement for sitting shall be provided and maintained so that they can rest.

First-Aid Appliances:

- First aid box should be provided and maintained
- First aid box shall be kept in the charge of a separate responsible person who hold a certificate in first aid treatment and he shall always be readily available during the working hour in factory.
- In every factory, where more than 500 workers are employed, there should be provided and maintained a special ambulence room.

Canteens:

In any specified factory where there is more than 250 workers are employed, a canteen shall be provided.

Shelters, rest rooms and lunchrooms:

In every factory, where more than 150 workers are employed, an adequate, suitable shelter or rest room and a suitable lunchrooms with the provision for drinking water, where workers can eat meals brought by them.

Creches:

In every factory, where more than 30 women workers are employed, there should be provided a suitable rooms for ~~fo~~ the use of ~~children~~ children under the age of six years.

- Such rooms shall provide with adequate ~~lightn~~ lighting and ventilation. It should be maintained in a clean and sanitary condition and shall be under the ~~b~~ charge of women trained in the care of children.

Hours of Work

According to "section 51" of this act, no adult ~~works~~ workers shall be required or allowed to work in a factory for more than 48 hours in a week.

- Further According to "section 54" of this act the daily hours of work has been restricted to 9 hours.

*- But daily maximum working hours can be exceeded with a view to facilitate the change of shift by approval of the chief inspector

- According to "section 55", the period of work shall be fixed that no adult worker is required to work for a period exceeding 5 hours without an interval of rest of at least half an hour.

- But according to "section 56" of this act, the period of work, including the such interval of rest, shall be so arranged that they shouldn't spread over more than 10 and half hours.