ITB ASSIGNMENT

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Q1 (a): Define Industry? Explain the two major types of Industry?

Ans: **INDUSTRY** : Many people think of industry as the collective large-scale manufacturing of products in well-organized plants with a high degree of automation and specialization. Although this is a common example of industry, it can also contain other commercial activities that deliver goods and facilities such as agriculture, transportation, hospitality, and many others.

Industry can be classified into different classes or levels for a better understanding of the different types and for making it easier to study. Although many school textbooks list only three levels, more advanced books classify industry into five levels. The terms for each level originate from Latin words referring to the numbers one to five.

TYPES OF INDUSTRIES:

1. **Primary (first):** Primary industries are those that extract or produce raw materials from which useful items can be made. Extraction of raw materials includes mining activities, forestry, and fishing. Agriculture is also considered a primary industry as it produces "raw materials" that require further processing for human use.
2. **Secondary (second):** Secondary industries are those that change raw goods into usable products through processing and manufacturing. Bakeries that make flour into bread and factories that change metals and plastics into vehicles are examples of secondary industries. The term "value added" is sometimes applied to processed and manufactured items since the change from a raw material into a usable product has added value to the item.
3. **Tertiary (third):** Tertiary industries are those that provide essential services and support to allow other levels of industry to function. Often simply called service industries, this level includes transportation, finance, utilities, education, retail, housing, medical, and other services. Since primary and secondary levels of industry cannot function without these services, they are sometimes referred to as "spin-off" industries. Much of the city of Thompson, for example, is made up of tertiary or service industries to support the primary industry of mining.
4. **Quaternary (fourth):** Quaternary industries are those for the creation and transfer of information, including research and training. Often called information industries, this level has seen dramatic growth as a result of advancements in technology and electronic display and transmission of information.
5. **Quinary (fifth):** Quinary industries are those that control the industrial and government decision-making processes. This level includes industry executives and management and bureaucrats and elected officials in government. Policies and laws are made and implemented at this level.

Q1(b): what are the basic factors of Production? Explain any two?

Ans: Production It is a process of combining various inputs to make something for consumptions. Production is an outcome of economic activity. For making or producing something, we need some tangible and intangible materials.

These materials are the various factors of production. Consider a simple example of paper crafting. To make an origami, we need paper, money to buy it, and the most important technique of folding.

Let us understand what we mean by the factors of production and their types.

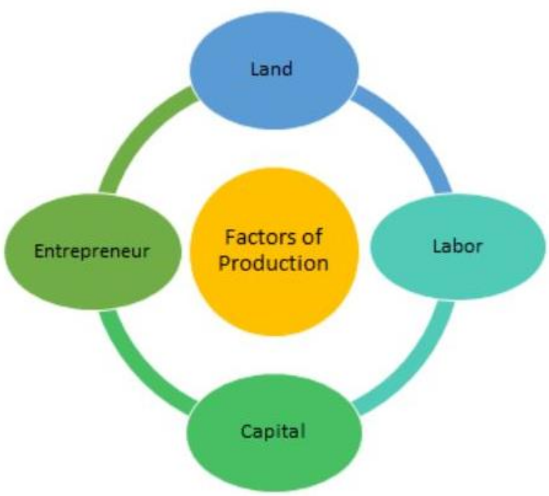
Factors of Production:

Anything that helps in production is the factor of production. These are the various factors by mean any resource is transformed into a more useful commodity or service.

They are the inputs for the process of production. They are the starting point of the production process. Factors of production are the parameters which affect the output of production.

Basic Factor of Production:

Factors of production have been categorized into four types.



Land

It refers to all-natural resources. All-natural resources either on the surface of the earth or below the surface of the earth or above the surface of the earth is Land.

One uses the land to produces goods. It is the primary and natural factor of production. All gifts of nature such as rivers, oceans, land, climate, mountains, mines, forests etc. are land.

The payment for land is rent.

Characteristics of Land as Factor Production

The land is a free gift of nature.

The land has no cost of production.
It is immobile.
The land is fixed and limited in supply.

Types of Land

Residential
Commercial
Recreation
Cultivation
Extraction
Uninhabitable

Labour

All human effort that assists in production is labour. This effort can be mental or physical. It is a human factor of production. It is the worker who applies their efforts, abilities, and skills to produce.
The payment for labour is the wage.

Characteristics

It is a human factor.
One cannot store labour.
No two types of labour are the same.

Types of Labour

Unskilled
Semi-skilled
Skilled
Professional.

Q2. Explain SWOT Analysis.

Ans: SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. By definition, Strengths (S) and Weaknesses (W) are considered to be internal factors over which you have some measure of control. Also, by definition, Opportunities (O) and Threats (T) are considered to be external factors over which you have essentially no control.

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates.

In other words, it is the foundation for evaluating the internal potential and limitations and the probable/likely opportunities and threats from the external environment. It views all positive and negative factors inside and outside the firm that affect the success. A consistent study of the environment in which the firm operates helps in forecasting/predicting the changing trends and also helps in including them in the decision-making process of the organization.

An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is given below

- Strengths - Strengths are the qualities that enable us to accomplish the organization's mission. These are the basis on which continued success can be made and continued/sustained. Strengths can be either tangible or intangible. These are what you are well-versed in or what you have expertise in, the traits and qualities your employees possess (individually and as a team) and the distinct features that give your organization its consistency. Strengths are the beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty. Examples of organizational strengths are huge financial resources, broad product line, no debt, committed employees, etc.

- Weaknesses - Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organizational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet. Weaknesses in an organization may be depreciating machinery, insufficient research and development facilities, narrow product range, poor decision-making, etc. Weaknesses are controllable. They must be minimized and eliminated. For instance - to overcome obsolete machinery, new machinery can be purchased. Other examples of organizational weaknesses are huge debts, high employee turnover, complex decision-making process, narrow product range, large wastage of raw materials, etc.
- Opportunities - Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable. Organizations can gain competitive advantage by making use of opportunities. Organization should be careful and recognize the opportunities and grasp them whenever they arise. Selecting the targets that will best serve the clients while getting desired results is a difficult task. Opportunities may arise from market, competition, industry/government and technology. Increasing demand for telecommunications accompanied by deregulation is a great opportunity for new firms to enter telecom sector and compete with existing firms for revenue.
- Threats - Threats arise when conditions in external environment jeopardize the reliability and profitability of the organization’s business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake. Examples of threats are - unrest among employees; ever changing technology; increasing competition leading to excess capacity, price wars and reducing industry profits; etc.

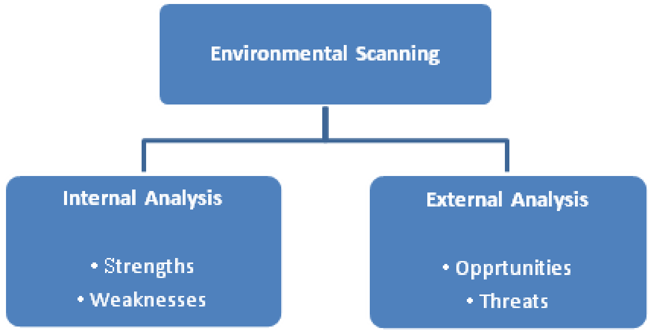
Advantages of SWOT Analysis

SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner-

- It is a source of information for strategic planning.
- Builds organization’s strengths.
- Reverse its weaknesses.
- Maximize its response to opportunities.
- Overcome organization’s threats.
- It helps in identifying core competencies of the firm.
- It helps in setting of objectives for strategic planning.
- It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.



Disadvantages of SWOT Analysis

SWOT Analysis is not free from its limitations. It may cause organizations to view circumstances as very simple because of which the organizations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organization can identify these aspects for itself.

There are certain limitations of SWOT Analysis which are not in control of management. These include-

Price increase,

Inputs/raw materials,

Government legislation,

Economic environment,

Searching a new market for the product which is not having overseas market due to import restrictions; etc.

Internal limitations may include-

Insufficient research and development facilities;

Faulty products due to poor quality control;

Poor industrial relations;

Lack of skilled and efficient labour; etc.

Q3.a. What is Sole Proprietorship? Write down its five characteristics, five advantages and five disadvantages?

Ans: Sole Proprietorship: Sole Proprietorship in simple words is a one-man business organisation. It is the type of entity that is fully owned and managed by one natural person (not a legal person/entity) known as the sole proprietor. The business and the man are the same, it does not have a separate legal entity.

Five characteristics

1] Lack of Legal Formalities

A sole proprietorship does not have a separate law to govern it. So, there are not many special rules and regulations to follow. It does not require incorporation or registration of any kind. In most cases, only a license is required to carry out the desired business.

And just like in its formation, there is hardly any legal process involved in its closure. Overall, it allows for ease of doing business with minimum hassles.

2] Liability

Since there is no separation between the owner and the business, the liability of the owner is also unlimited. So, if the business is unable to meet its own liabilities, it will fall upon the proprietor to pay them. All of his personal assets (like his car, house, other properties etc) may have to be sold to meet the liabilities of the business.

3] Risk and Profit

The owner is the only risk bearer in a sole proprietorship. Since he is the only one financially invested in the company, he must also bear all the risk. If the business fails or suffers losses he will be the one affected.

However, he also enjoys all the profits from the business. He does not have to share his profits with any other stakeholders since there are none. So he must bear the full risk in exchange for enjoying full profits.

4] No Separate Identity

In legal terms, the business and the owner are one and the same. No separate legal identity will be bestowed upon the sole proprietorship. So the owner will be responsible for all the activities and transactions of the business.

5. Continuity

Just as we saw above the business and the owner have one identity. So a sole proprietorship is entirely dependent on its owner. The death, retirement, bankruptcy. insanity, imprisonment etc will have an effect on the sole proprietorship. In most of such cases, the proprietorship will cease to exist and the business will come to an end.

Advantages of Sole Proprietorship

proprietor will have complete control of the entire business, this will facilitate quick decisions and freedom to do business according to their wishes

Law does not require a proprietorship to publish its financial accounts or any other such documents to any members of the public. This allows the business a great deal of confidentiality which is sometimes important in the business world

The owner derives maximum incentive from the business. He does not have to share any of his profits. So the work he puts into the business is completely reciprocated in incentives

Being your own boss is a great sense of satisfaction and achievement. You are answerable only to yourself and it is a great boost to your self-worth as well.

Disadvantages of Sole Proprietorship

One of the biggest limitations of a sole proprietorship is the unlimited liability of the owner. If the business fails it can wipe out the personal wealth of the owner as well and affect his future business prospects too

Another problem is the limited capital a sole proprietor has access to. His own personal savings and money he can borrow may not be enough to expand the business. Banks and financial institutions are also wary lending to proprietorships

The life cycle of a sole proprietorship is undecided and attached to its owner. If the owner is incapacitated in any way it has a negative effect on the business, and it may even lead to the closure of the business. A sole proprietorship cannot carry on without its proprietor.

A sole proprietor also has limited managerial ability. He cannot be an expert in all the fields of the business. And limited resources may mean that he cannot even hire competent people to help him out. This may lead to the business suffering from mismanagement and poor decisions.

Q3 b. what is Partnership? Write down the characteristics and advantages of Partnership?

Ans. A partnership is an arrangement where parties, known as business partners, agree to cooperate to advance their mutual interests. The partners in a partnership may be individuals, businesses, interest-based organizations, schools, governments or combinations.

Characteristics of Partnership

1] Formation/Partnership Agreement

A partnership firm is not a separate legal entity. But according to the act, a firm must be formed via a legal agreement between all the partners. So a contract must be entered into to form a partnership firm.

Its business activity must be lawful, and the motive should be one of profit. So two people forming an alliance to carry out charity and/or social work will not constitute this form of organisation. Similarly, a partnership contract to carry out illegal work, such as smuggling, is void as well.

2] Unlimited Liability

In a unique feature, all partners have unlimited liability in the business. The partners are all individually and jointly liable for the firm and the payment of all debts. This means that even personal assets of a partner can be liquidated to meet the debts of the firm.

If the money is recovered from a single partner, he can, in turn, sue the other partners for their share of the debt as per the contract of the partnership.

3] Continuity

A partnership cannot carry out in perpetuity. The death or retirement or bankruptcy or insolvency or insanity of a partner will dissolve the firm. The remaining partners may continue the partnership if they so choose, but a new contract must be drawn up. Also, the partnership of a father cannot be inherited by his son. If all the other partners agree, he can be added on as a new partner.

4] Number of Members

As we know that there should be a minimum of two members. However, the maximum number will vary according to a few conditions. The Partnership Act itself is silent on this issue, but the Companies Act, 2013 provides clarity.

For a banking business, the number of partners must not exceed ten. For a business of any other nature, the maximum number is twenty. If the number of partners increases it will become an illegal entity or association.

5] Mutual Agency

In this type of organisation, the business must be carried out by all the partners together. Or alternatively, it can be carried out by any of the partners (one or several) acting for all of them or on behalf of all of them. So, this means every partner is an agent as well as the principal of the partnership.

He represents the other partners in some cases so he is their agent. But in other circumstances, he is bound by the actions of any of the other partners making him the principal as well.

Advantages of Partnership

- Formation of partnerships firm is an easy task. You only require a contract of partnership. Registration is not compulsory in most cases.
- Since many partners are involved in a business, they all bring their own expertise and management styles. This helps in better management of the business.
- All partners also contribute to the capital of the firm so it has more funds to work with
- The risk of the business is also shared among all partners.