Multiple Choice Questions

1. Entrepreneurs undertake
   (a) calculated risks
   (b) high risks
   (c) low risks
   (d) moderate and calculated risks

   **Answer** (b) It is generally believed that entrepreneurs take high risks as there is no assured career 10 that and secondly for a higher return the person takes higher risk.

2. In Economics, which of the following is not a function of the entrepreneur?

   (a) Risk-taking
   (b) Provision of capital and organisation of production
   (c) Innovation
   (d) Day-to-day conduct of business

   **Answer** (d) Day-to-day conduct of business is not the function of the entrepreneur.

3. Which of the following statements does not clearly distinguish between entrepreneurship and management?

   (a) Entrepreneurs found the business; managers operate it
   (b) Entrepreneurs are the owners of their business; managers are employees
   (c) Entrepreneurs earn profits; managers earn salaries
   (d) Entrepreneurship is once for all activity; management is a continuous activity

   **Answer** (d) Entrepreneurship IS once for all activity, The concept behind it is not cleared. Through this point, it is typical to understand the difference between entrepreneurship and management.

4. In the roles and functions of the entrepreneur identified by Kilby, which of the following is not an aspect of ‘political administration’?
(a) Dealing with public bureaucracy  
(b) Managing human relations within the firm  
(c) Introducing new production techniques and products  
(d) Managing customer and supplier relations

**Answer** (c) Introducing new production techniques and products is not an aspect of 'political administration'. It is come under the 'Technology' identified by Kilby.

5. Which of the following attitudes is not generally associated with successful entrepreneurship?

(a) Investing in R&D  
(b) Live your business day-by-day  
(c) Innovate and improvise continually  
(d) Produce as per customers’ requirements

**Answer** (b) Live your business day-by-day is not the attitude associated with successful entrepreneurship.

**Short Answer Type Questions**

Question 1. Clarify the meaning of the terms 'entrepreneur', 'entrepreneurship' and 'enterprise'.

**Answer** Entrepreneur The owner of a business is known as Entrepreneur or we can say that the person who set-up his business. He is the co-ordinator, organiser of resources and gives shape to the business.

Entrepreneurship It is the dynamic process of interaction between the person and the environment. It means starting up one’s own business, concerned with strategic decisions of resource allocation and involves huge risk to create value and earn profit.

**Enterprise** The output of the entrepreneurship process is known as the Enterprise. It is something attempted to be performe. It provides employment opportunities, professional opportunities and business opportunities which helps in building up the economy of a nation.
Question 2. Why is entrepreneurship regarded as a creative activity?

**Answer** Entrepreneurship is a creative activity as an entrepreneur converts raw materials into useful goods and services, it involves creation of value, introduction of new products, discovery of new markets and technologies. Successful entrepreneurs keep focusing on innovative ideas and skills to produce efficient and effective results. Thus, an entrepreneur is innovator and this process is creative.


**Answer** “Entrepreneurs undertake moderate risks”. It implies that an entrepreneur assures various supply of the projects, he agreed to pay salaries, wages, rent whether the venture succeed or not. Secondly, the person who opted a career in entrepreneurship takes a bigger risk as there is no assured payoff. It is said that it is a 50 : 50 situation means loss and profit both are unpredictable. Success depends upon the observations, calculations of risk, skills and confidence. Risk is not centred to one problem it involves many issues like fluctuation in price, taste and preference, fashion, risk of strikes, lock outs etc. It becomes the essential feature of the entrepreneurship which is to be focused more and more.

Question 4. How entrepreneurship result in increasing the spectrum and scope of economic activities?

**Answer** Development does not mean only the betterment of existing but it means the overall betterment across the geographical, sectoral and technological scope. Entrepreneurship results in diversification of economic activities by creating employment, business opportunities. stabilising the demand and supply factors as underdeveloped countries caught in the vicious cycle on the demand as well as supply side. Thus, it helps in overcome from this situation. GOP originates from Industry and services increases. Entrepreneurs through their decisions to direct from the stale sectors and invest in green field sectors brings a virtual transformation of the economy from underdeveloped to developed status. Thus, we can say entrepreneurship result in increasing the spectrum and scope of economic activities.
Question 5. Describe briefly the role of achievement motivation in entrepreneurship.

**Answer** Entrepreneurial motivation is important to learn as different individual motivated differently and for the success of an enterprise following needs are to be focused to motivate an entrepreneur.

(i) **Need for Achievement** It implies a desire to accomplish something. In order to accomplish the task one can use the creativity, talent, organise physical resources, explore and use opportunities, overcome from the obstacles and attain a high standard.

(ii) **Need for Power** It is concern with influencing people or the behaviour of others moving in the same direction to attain the objectives. Need for power means authority required to control the activities of an enterprise.

(iii) **Need for Affiliation** people to conform It implies among other things a tendency of the to the wishes and norms of those whom they value. Entrepreneurs are believed to be Iowan affiliation buy they should focus and trace the elements of affiliation for the successful career and for the development of standardised goods and services for others.

(iv) **Need for Autonomy** It means a desire for independence and being responsible and accountable to oneself rather than some external authority for performance. Every body needs freedom to some extent as it is very difficult to take orders and work all the time as per the boss.

**Long Answer Type Questions**

Question 1. Describe briefly the steps involved in starting a new business.

**Answer** Setting up and running of business unit is a very crucial decision which is taken by an entrepreneur. He performs several functions like assembling inputs, market analysis, sales strategy, risk factors, financial analysis and many more. But in order to start a new business following steps are to be taken
(i) **Scanning the Environment**  The complete awareness and understanding of business environment is known as Environment scanning. An entrepreneur scans business opportunities and risks involved. After the analysis, he uses these opportunities and market them in much better way.

(ii) **Development of Product**  It is second step after scanning the environment an entrepreneur starts assessing scarce resources, assembling inputs and starts the production of goods and services.

(iii) **Feasibility Analysis**  It refers to the analysis which helps in knowing the practical possibility. An entrepreneur starts looking the feasibility like technical feasibility helps in knowing that the idea should be converted into reality using available technology, similarly economic feasibility helps in knowing the cost involved in production and after selling it will earn profit or not. The business plan starts after the feasibility report.

(iv) **Funding Agencies**  Finance is the back bone for the business activity. An entrepreneur needs finance to carry on the business that’s why they prepare business plan which is to be submitted before the financial institutions and if they satisfy they fund the project.

(v) **Establishing of an Enterprise**  After getting the fund, an entrepreneur have to take legal permission and clearance from various agencies in order to establish an enterprise.
Question 2. Examine the nature of relationship between entrepreneurship and economic development.

**Answer** There is a mutual relationship between economic development and entrepreneurship. Entrepreneurship development leads to economic development of the country by contributing in GOP and process of economic development gives an opportunity for expansion and growth. Following points explain the relationship between economic development and entrepreneurship

(i) **Contributing to Gross Domestic Product (GOP)** Income is generated in the process of production. Entrepreneurs generate income via organisation of production, it results in increasing the value of GOP directly.

(ii) **Capital Formation** Entrepreneurs use their own funds and encourage various investment opportunities to invest in companies. This leads to capital formation.

(iii) **Generation of Employment** Every new business gives the opportunity of employment to the people with different abilities, skills and qualifications. It becomes a source of livelihood to those who do neither have capital to earn interest or nor have the land to earn rent.

(iv) **Improves Economic Efficiency** Entrepreneurs improve economic efficiency by improving the process, reducing waste, increasing yield and bring technical progress. In this way, entrepreneurship results in economic development. On the other hand, economic development provides following opportunities for the growth and expansion of enterprise.

(a) Well developed financial in the economy

(b) Opportunities to raise and avail funds from various financial institutions.

(c) Lower rate of interest and moderate inflation. (d) Availability of factors of production.

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Question 3. Clarify how motivation and abilities impact on individuals decision to choose entrepreneurship as a career.

**Answer** Motivation and ability can positively reinforce each other. Persons having abilities search for the exposure and focus to start a new business. They take decisions logically with the personal courage and strive hard to acquire the necessary competencies to realise their dreams. Following competencies contribute towards effective performance and success

(i) Entrepreneur must take initiative to set up an enterprise.

(ii) Recognise the opportunities and grab them as early as possible.

(iii) Must strive for success.

(iv) He must collect important informations.

(v) Entrepreneurs must set up quality standards.

(vi) Must be committed towards the completion of task.

(vii) Concern for conservation of time, money and effort.

(viii) Entrepreneurs must have ability to do product planning.

(ix) Must have ability to diagnose the problem and take required steps to solve It.

(x) Entrepreneur must be confident.

(xi) Conveying one’s vision and convincing others of its values.
(xii) He must seek the support of others.

(xiii) Providing leadership.

(xiv) Ensuring the progress of venture. (xv) Concern for employee’s welfare.

On the other hand, motivation is required to understand because entrepreneur’s objective is profit maximisation and it can only be achieved when employees are motivated in such a manner that fulfillment of enterprise’s objective may also lead to satisfy employees basic needs. In this way, entrepreneurship career proves to be a success for an individual motivation and ability both goes hand to hand.