Chapter 7: Functional Plans: Marketing, Financial and Manpower Planning

Repeated Questions:

1. Marketing Plan:

- **Q.** Write steps in preparing a marketing plan with appropriate flow chart. **(SUMMER 2022, 7 Marks; SUMMER 2023; WINTER 2024; SUMMER 2026, 3 Marks)**

Answer:

Definition:

A marketing plan is a comprehensive document that outlines a business's overall marketing strategy, including target markets, positioning, the marketing mix (4Ps), and action programs for a specific period.

Flow Chart Description: A sequential block diagram showing: 1. Executive Summary → 2. Situation Analysis → 3. Marketing Objectives → 4. Marketing Strategy (Target Market & 4Ps) → 5. Action Programs → 6. Budget → 7. Controls.

Steps in Preparing a Marketing Plan:

Executive Summary:

- A brief, high-level overview of the entire plan.
- Highlights the main goals, target market, and key strategies to gain quick management approval.

Situation Analysis (Market Research):

- Analysis of the internal environment (strengths/weaknesses) and external environment (opportunities/threats - SWOT).
- Assessment of the industry, target customers, and competitor positioning.

Define Marketing Objectives:

- Set specific, measurable, achievable, realistic, and time-bound (SMART) goals.
- **Example:** Achieve a 5% market share within the first year or generate ₹10 lakh in sales.

Marketing Strategy (Target Market & 4Ps):

- **Target Market:** Define the specific customer segment the business will serve.
- **Product:** Features, quality, branding, and packaging.
- **Price:** Pricing strategy (skimming, penetration, competitive).
- **Place (Distribution):** Channels used to reach the customer (online, retail, direct).
- **Promotion:** Advertising, sales promotion, and public relations tactics.

Action Programs:

- Detailed operational plans specifying what needs to be done, who is responsible, and when it will be completed to execute the strategy.

Budgeting:

- Estimate the costs required for the marketing activities (promotion, distribution, research) and project the expected return on investment (ROI).

Controls and Monitoring:

- Establish metrics and benchmarks to track progress.
- Outline corrective actions to be taken if actual performance deviates from the plan.

2. Financial Plan:

- **Q.** Write short note on break even analysis. **(SUMMER 2022 OR; SUMMER 2025, 3 Marks; WINTER 2025, 4 Marks)**

Answer:

Definition:

Break-even analysis is a financial calculation used to determine the exact volume of sales at which total revenue equals total costs, resulting in neither profit nor loss.

Formula:

BEP (in units) = Fixed Cost / (Selling Price per unit - Variable Cost per unit)

Sketch Description: A graph with "Units Produced/Sold" on the X-axis and "Cost/Revenue" on the Y-axis. The Total Cost line starts above zero and slopes upward. The Total Revenue line starts at zero and slopes upward more steeply. The point where they intersect is the Break-Even Point.

- **Fixed Costs (FC):** Costs that remain constant regardless of production volume (e.g., rent, machinery).
- **Variable Costs (VC):** Costs that vary directly with output (e.g., raw materials, labor).

Importance for a New Venture:

- Helps determine the minimum sales volume required to avoid losses.
- Aids in setting the selling price and controlling costs.
- Assists in assessing the risk and financial feasibility of the business.

- **Q.** Discuss working capital. **(SUMMER 2022, 3 Marks; WINTER 2024 OR)**

Answer:

Definition:

Working capital is the capital required for the day-to-day operations of a business, representing the difference between current assets and current liabilities.

- **Formula:** Working Capital = Current Assets (Cash, Inventory, Receivables) - Current Liabilities (Payables, Short-term Debt)
- **Operational Cycle:** It is required to finance the operating cycle—from purchasing raw materials to converting finished goods into cash.
- **Importance:** Ensures smooth business operations, helps meet short-term obligations, and prevents insolvency. A new venture must accurately estimate its working capital needs to avoid cash flow shortages.

- **Q.** How can financial planning be done by an entrepreneur for the new venture? **(WINTER 2022 OR; WINTER 2024, 3 Marks)**

Answer:

- **Estimate Capital Requirements:** Determine the total funds needed for fixed assets (machinery, land) and working capital.
- **Determine Capital Structure:** Decide the optimal mix of debt (loans) and equity (owner's funds) to finance the assets.
- **Forecast Cash Flows:** Prepare projected cash budgets to ensure the venture has enough liquidity to pay bills.
- **Create Financial Projections:** Develop pro forma income statements and balance sheets to predict profitability.
- **Establish Financial Controls:** Set up systems for budgeting, monitoring expenses, and comparing actual performance against projections.

- **Q.** What is Pro forma balance sheet? How is the breakeven analysis useful for a new venture? **(WINTER 2022 OR; WINTER 2024, 7 Marks OR)**

Answer:

Pro forma Balance Sheet:

A pro forma balance sheet is a projected financial statement that estimates a company's assets, liabilities, and equity at a specific future date. It is used to forecast the financial position of the new venture after accounting for planned operations and investments.

Financial Plan Components:

- **Pro forma Income Statement:** Projects future revenues, costs, and profits over a period (e.g., 3 years) to assess profitability.
- **Pro forma Cash Flow:** Projects the inflow and outflow of cash, ensuring the venture does not run out of cash (liquidity).
- **Pro forma Balance Sheet:** Projects the financial health (assets vs. liabilities) at the end of a financial period.

Usefulness of Break-Even Analysis for a New Venture:

- **Minimum Sales Target:** It establishes the minimum sales volume required to cover all costs, providing a clear operational goal.
- **Pricing Decisions:** It helps entrepreneurs understand how pricing changes affect the break-even point and profitability.
- **Risk Assessment:** Shows how far sales can drop before the business incurs losses (Margin of Safety).
- **Cost Control:** Highlights the impact of fixed and variable costs on overall viability, encouraging cost efficiency.
- **Investor Communication:** Provides a simple metric to explain the financial viability of the project to investors.

- **Q.** Discuss for Financial plan: cash budget, working capital and break even analysis. **(SUMMER 2024, 7 Marks; SUMMER 2026, 7 Marks)**

Answer:

Cash Budget:

- **Definition:** A projection of the expected cash inflows and outflows over a specific period.
- **Purpose:** Ensures the new venture maintains sufficient liquidity to pay for operations without running out of cash.
- **Components:** Cash sales, collections from debtors, loans received (inflows); payments to suppliers, wages, rent, loan repayments (outflows).

Working Capital Management:

- **Definition:** Managing the difference between current assets and current liabilities.
- **Purpose:** Ensures smooth day-to-day operations and the ability to meet short-term obligations.
- **Components:** Inventory management (not holding too much or too little), receivables management (quick collection), and payables management (delaying payments without hurting credit).

Break-Even Analysis:

- **Definition:** Calculation to find the point where total revenue equals total costs.
- **Purpose:** Determines the minimum sales volume needed to avoid losses.
- **Formula:** BEP = Fixed Cost / (Selling Price - Variable Cost).

- **Application:** Helps in setting sales targets, pricing strategies, and evaluating the margin of safety.

Integration in Financial Plan:

- The cash budget provides liquidity, working capital ensures operations, and break-even analysis ensures profitability. Together, they form a robust financial roadmap for a new venture.

---

3. Manpower Planning:

- **Q.** Why is manpower planning important in entrepreneurial business? **(SUMMER 2022, 4 Marks; WINTER 2024)**

Answer:

- **Ensures Right Talent:** Helps identify the exact skills and number of employees required to execute the business plan effectively.
- **Prevents Resource Wastage:** Avoids overstaffing (which increases costs) and understaffing (which reduces productivity).
- **Facilitates Growth:** Prepares the organization for future expansion by planning recruitment and training in advance.
- **Reduces Employee Turnover:** Aligns the right people with the right roles, increasing job satisfaction and retention.
- **Financial Planning:** Helps in accurately budgeting for salaries, wages, and employee benefits.

---

4. Franchising and Licensing:

- **Q.** Write a short note on franchising. **(SUMMER 2022, 3 Marks OR; SUMMER 2023, 7 Marks OR)**

Answer:

Definition:

Franchising is a marketing and distribution method in which the owner of a business (Franchisor) grants an individual or group (Franchisee) the right to use its brand name, business model, and processes in exchange for an initial fee and ongoing royalties.

- **Franchisor:** The original business owner who has a proven product and business model.
- **Franchisee:** The independent entrepreneur who buys the rights to operate under the franchisor's brand.
- **Advantages for the Franchisee:** Lower risk (proven model), established brand recognition, training, and ongoing support.
- **Advantages for the Franchisor:** Rapid expansion with low capital investment and a continuous stream of royalty income.

- **Q.** Differentiate between licensing and franchising. **(SUMMER 2025; WINTER 2025, 4 Marks OR)**

Answer:

Basis	Licensing	Franchising
Definition	Granting rights to use Intellectual Property (patents, trademarks) for a specific purpose.	Granting rights to operate a complete business model under a brand name.
Control	The licensor has less control over the licensee's day-to-day operations.	The franchisor exercises strict control over operations, quality, and processes.
Support	Limited support (usually technical or marketing assistance).	Extensive support (training, supply chain, marketing, site selection).
Fees	Primarily a one-time license fee or royalty on sales of the licensed product.	Up-front franchise fee plus ongoing royalty on total gross sales.

Other Important Questions:

1. Marketing Plan and Marketing Research:

- **Q.** Enlist the steps for preparing market plan. **(WINTER 2025, 3 Marks)**

Answer:

Definition:

A marketing plan is a comprehensive document that outlines a business's overall marketing strategy, including target markets, positioning, the marketing mix (4Ps), and action programs for a specific period.

Flow Chart Description: A sequential block diagram showing: 1. Executive Summary → 2. Situation Analysis → 3. Marketing Objectives → 4. Marketing Strategy (Target Market & 4Ps) → 5. Action Programs → 6. Budget → 7. Controls.

Steps in Preparing a Marketing Plan:

Executive Summary:

- A brief, high-level overview of the entire plan.
- Highlights the main goals, target market, and key strategies to gain quick management approval.

Situation Analysis (Market Research):

- Analysis of the internal environment (strengths/weaknesses) and external environment (opportunities/threats - SWOT).
- Assessment of the industry, target customers, and competitor positioning.

Define Marketing Objectives:

- Set specific, measurable, achievable, realistic, and time-bound (SMART) goals.
- **Example:** Achieve a 5% market share within the first year or generate ₹10 lakh in sales.

Marketing Strategy (Target Market & 4Ps):

- **Target Market:** Define the specific customer segment the business will serve.
- **Product:** Features, quality, branding, and packaging.
- **Price:** Pricing strategy (skimming, penetration, competitive).
- **Place (Distribution):** Channels used to reach the customer (online, retail, direct).
- **Promotion:** Advertising, sales promotion, and public relations tactics.

Action Programs:

- Detailed operational plans specifying what needs to be done, who is responsible, and when it will be completed to execute the strategy.

Budgeting:

- Estimate the costs required for the marketing activities (promotion, distribution, research) and project the expected return on investment (ROI).

Controls and Monitoring:

- Establish metrics and benchmarks to track progress.
- Outline corrective actions to be taken if actual performance deviates from the plan.

- **Q.** How to carry out marketing research for the new venture? Discuss the steps in preparing marketing plan. **(SUMMER 2023, 7 Marks)**

Answer:

[Answer not found in the answer chat – to be added]

- **Q.** Write the steps for marketing research for the new venture. **(SUMMER 2024, 3 Marks)**

Answer:

- **Problem Definition:** Clearly identify the research objective (e.g., estimating demand for a new product).
- **Developing the Research Plan:** Determine the data sources (primary vs. secondary) and the research methods (surveys, interviews, observation).
- **Data Collection:** Gather information from target customers and market sources using chosen tools like questionnaires.
- **Data Analysis:** Process and analyze the collected data using statistical tools to find patterns and insights.
- **Report Preparation:** Present the findings and actionable recommendations to the entrepreneur for decision-making.

- **Q.** How can the marketing plan for the new venture be prepared? Describe with detailed steps. **(WINTER 2022, 7 Marks)**

Answer:

Definition:

A marketing plan is a comprehensive document that outlines a business's overall marketing strategy, including target markets, positioning, the marketing mix (4Ps), and action programs for a specific period.

Flow Chart Description: A sequential block diagram showing: 1. Executive Summary → 2. Situation Analysis → 3. Marketing Objectives → 4. Marketing Strategy (Target Market & 4Ps) → 5. Action Programs → 6. Budget → 7. Controls.

Steps in Preparing a Marketing Plan:

Executive Summary:

- A brief, high-level overview of the entire plan.
- Highlights the main goals, target market, and key strategies to gain quick management approval.

Situation Analysis (Market Research):

- Analysis of the internal environment (strengths/weaknesses) and external environment (opportunities/threats - SWOT).
- Assessment of the industry, target customers, and competitor positioning.

Define Marketing Objectives:

- Set specific, measurable, achievable, realistic, and time-bound (SMART) goals.
- **Example:** Achieve a 5% market share within the first year or generate ₹10 lakh in sales.

Marketing Strategy (Target Market & 4Ps):

- **Target Market:** Define the specific customer segment the business will serve.
- **Product:** Features, quality, branding, and packaging.
- **Price:** Pricing strategy (skimming, penetration, competitive).
- **Place (Distribution):** Channels used to reach the customer (online, retail, direct).
- **Promotion:** Advertising, sales promotion, and public relations tactics.

Action Programs:

- Detailed operational plans specifying what needs to be done, who is responsible, and when it will be completed to execute the strategy.

Budgeting:

- Estimate the costs required for the marketing activities (promotion, distribution, research) and project the expected return on investment (ROI).

Controls and Monitoring:

- Establish metrics and benchmarks to track progress.
- Outline corrective actions to be taken if actual performance deviates from the plan.

- **Q.** Why is marketing research required for the new venture? **(SUMMER 2025, 3 Marks)**

Answer:

- **Identifies Market Opportunities:** Helps the entrepreneur discover unmet customer needs and market gaps before launching the product.
- **Reduces Business Risk:** Provides objective data to validate assumptions about demand, pricing, and competition, preventing costly failures.
- **Understands Target Audience:** Reveals customer preferences, buying behavior, and demographic profiles to tailor the marketing mix effectively.
- **Assesses Competition:** Gathers intelligence on competitors' strengths, weaknesses, and strategies to develop a unique selling proposition (USP).
- **Guides Product Development:** Customer feedback helps in refining product features and improving overall market fit.

---

2. Financial Plan:

- **Q.** What is Pro forma income statement? Explain Pro forma cash flow and balance sheet in financial plan. **(WINTER 2025, 7 Marks)**

Answer:

Pro forma Balance Sheet:

A pro forma balance sheet is a projected financial statement that estimates a company's assets, liabilities, and equity at a specific future date. It is used to forecast the financial position of the new venture after accounting for planned operations and investments.

Financial Plan Components:

- **Pro forma Income Statement:** Projects future revenues, costs, and profits over a period (e.g., 3 years) to assess profitability.
- **Pro forma Cash Flow:** Projects the inflow and outflow of cash, ensuring the venture does not run out of cash (liquidity).

- **Pro forma Balance Sheet:** Projects the financial health (assets vs. liabilities) at the end of a financial period.

Usefulness of Break-Even Analysis for a New Venture:

- **Minimum Sales Target:** It establishes the minimum sales volume required to cover all costs, providing a clear operational goal.
- **Pricing Decisions:** It helps entrepreneurs understand how pricing changes affect the break-even point and profitability.
- **Risk Assessment:** Shows how far sales can drop before the business incurs losses (Margin of Safety).
- **Cost Control:** Highlights the impact of fixed and variable costs on overall viability, encouraging cost efficiency.
- **Investor Communication:** Provides a simple metric to explain the financial viability of the project to investors.

- **Q.** Define break even analysis. Explain it with sketch. **(SUMMER 2023, 3 Marks)**

Answer:

Definition:

Break-even analysis is a financial calculation used to determine the exact volume of sales at which total revenue equals total costs, resulting in neither profit nor loss.

Formula:

BEP (in units) = Fixed Cost / (Selling Price per unit - Variable Cost per unit)

Sketch Description: A graph with "Units Produced/Sold" on the X-axis and "Cost/Revenue" on the Y-axis. The Total Cost line starts above zero and slopes upward. The Total Revenue line starts at zero and slopes upward more steeply. The point where they intersect is the Break-Even Point.

- **Fixed Costs (FC):** Costs that remain constant regardless of production volume (e.g., rent, machinery).
- **Variable Costs (VC):** Costs that vary directly with output (e.g., raw materials, labor).

Importance for a New Venture:

- Helps determine the minimum sales volume required to avoid losses.
- Aids in setting the selling price and controlling costs.
- Assists in assessing the risk and financial feasibility of the business.

---

3. Manpower and Organizational Plan:

- **Q.** How is manpower planning important for an entrepreneur? **(WINTER 2022, 3 Marks)**

Answer:

- **Ensures Right Talent:** Helps identify the exact skills and number of employees required to execute the business plan effectively.
- **Prevents Resource Wastage:** Avoids overstaffing (which increases costs) and understaffing (which reduces productivity).
- **Facilitates Growth:** Prepares the organization for future expansion by planning recruitment and training in advance.
- **Reduces Employee Turnover:** Aligns the right people with the right roles, increasing job satisfaction and retention.
- **Financial Planning:** Helps in accurately budgeting for salaries, wages, and employee benefits.

- **Q.** Explain manpower planning and Financial plan for business. **(SUMMER 2023, 4 Marks)**

Answer:

Manpower Planning:

- **Definition:** The process of forecasting the future human resource requirements of a business and ensuring the right number of people with the right skills are available at the right time.
- **Steps:** Analyzing current workforce, forecasting demand (based on growth), forecasting supply (availability of skills), and creating action plans (recruitment, training).

Financial Plan:

- **Definition:** The process of estimating the capital required and determining its allocation and sources to achieve the business objectives.
- **Components:** Estimating fixed and working capital, projecting cash flows and income, planning the capital structure (debt/equity), and establishing financial controls.

- **Q.** Describe the short note on organizational plan. **(SUMMER 2026, 4 Marks)**

Answer:

Definition:

An organizational plan is a section of the business plan that describes the legal structure, ownership, management team, and the reporting hierarchy of the new venture.

- **Legal Structure:** Specifies the form of business ownership (e.g., Sole Proprietorship, Partnership, LLP, Private Limited).
- **Organizational Chart:** A visual diagram showing the hierarchy and reporting lines of the management team and departments.
- **Management Team:** Details the qualifications, experience, and roles of key personnel (founders, managers) to demonstrate execution capability.
- **Roles and Responsibilities:** Clearly defines the duties of each position to avoid ambiguity and ensure accountability.

---

4. Additive Manufacturing:

- **Q.** What is additive manufacturing? Explain it briefly. **(SUMMER 2025, 4 Marks)**

Answer:

Definition:

Additive manufacturing (AM), commonly known as 3D printing, is the process of creating a physical object from a 3D digital model by building it layer by layer.

- **Process:** The CAD model is sliced into thin cross-sectional layers. The 3D printer deposits material (plastic, resin, metal) layer upon layer to form the object.
- **Core Advantage:** It allows for the creation of highly complex geometries, internal structures, and customized parts that are impossible to create with traditional subtractive manufacturing (machining).
- **Applications:** Used extensively for rapid prototyping in product development, manufacturing custom medical implants, and producing lightweight aerospace components.
- **Benefits for Entrepreneurs:** Reduces time-to-market for new products, lowers the cost of prototyping, and enables small-batch, customized production without expensive tooling.
