**UNIT 3: Sources of Business Idea**

Semester- IV (UG)

Subject- Entrepreneurship Development (Module-I)

Topic-UNIT – 3 (Preparation of Project Report)

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Lecture no-1

**Project Report:**

A project report may be defined as a document with respect to any investment proposal based on certain information and factual data for the purpose of appraising the project. It states as to what business is intended to be undertaken by the entrepreneur and whether it would be physically possible, financially viable, commercially profitable and socially desirable to do such a business. Project report is an essential document for procuring assistance from financial institutions and for fulfilling other formalities for implementation of the project. The project report (Detailed Feasibility Report) is based on a preliminary report or pre-investment report. Thus, the project report is a post investment decision report.

**Objectives of Project Report:**

The basic aim of a project report is to assess the financial viability of a project as well as the soundness of its production, marketing and other related aspects. It serves the following main objectives:

* It facilitates business planning and planning the future course of action.
* It enables an entrepreneur to compare different investment proposals and select the most suitable project.
* It provides a SWOT analysis, wherein the strengths, weaknesses, opportunities and threats involved in the projects as shown.
* The project report enables the entrepreneur to ensure that he is proceeding in the right direction.
* In case of public sector projects, this report would also enable the concerned authorities to take an objective decision on the project.
* It facilitates project appraisal.
* It helps the financial institutions to make appraisal as regards financial, economic and technical feasibility.

**Importance of Project Report:**

Project report is a written plan of the project to be undertaken for the attainment of objective. It enables an entrepreneur to know the inputs required and confirms that he is proceeding in the right direction. It spells out the reasons of allocating resources of the firm for the production of goods and services during a specific period. An important aspect of the project report lies in determining the profitability of the project with minimum risks in the execution of the project. The important uses of Project report are as follows:

* It helps the entrepreneur in establishing techno-economic viability of the project.
* It helps in getting term loan from banks and financial institutions.
* It helps in approaching bank for getting working capital loan.
* It helps in securing supply of scarce raw materials also. It gives a general idea of resource requirements and means of procuring them.
* It shows the feasibility of the project and possibility of achieving profits.

**Requisites of an Ideal Project Report**

The essentials of an ideal project report are as follows:

* Project report should be prepared with the help of an expert team.
* Assumptions in the project report should avoid extremities.
* Project report is the means and not the end.
* Product demand, capital resources, raw material availability, labour resources, etc must be estimated properly after considering varied factors.
* Project report should be based on proper survey and systematic preliminary study of the project.
* Thorough discussions must be made with experts, various personnel of concerned departments before finalising the report.
* The end result should be to receive finance and to get the project implemented.
* Complete satisfaction of the entrepreneur/promoter should be ensured, before the report is submitted to the financial institutions.

**Contents of a Project Report**

Following are the contents of a project report.

1. **General Information**

A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the [demand for the product](https://accountlearning.com/forecast-demand-new-products/) in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

1. **Executive Summary**

A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

1. **Organization Summary**

The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on [sole proprietorship](https://accountlearning.com/sole-trader-business-meaning-definition-important-features/), [partnership](https://accountlearning.com/partnership-features-advantages-disadvantages/) or [joint stock company](https://accountlearning.com/advantages-of-a-joint-stock-company/). It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.

1. **Project Description**

A brief description of the project must be stated and must give details about the following:

* [Location of the site,](https://accountlearning.com/guidelines-to-select-best-location-for-a-retail-store/)
* Raw material requirements,
* Target of production,
* Area required for the workshed,
* Power requirements,
* Fuel requirements,
* Water requirements,
* Employment requirements of skilled and unskilled labour,
* Technology selected for the project,
* Production process,
* Projected production volumes, unit prices,
* Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

1. **Marketing Plan**

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following:

* Type of customers,
* Target markets,
* Nature of market,
* [Market segmentation](https://accountlearning.com/advantages-and-disadvantages-of-market-segmentation/),
* Future prospects of the market,
* Sales objectives,
* Marketing Cost of the project,
* Market share of proposed venture,
* Demand for the product in the local, national and the global market,
* It must indicate potential users of products and [distribution channels](https://accountlearning.com/types-of-channels-of-distribution/) to be used for distributing the product.

1. **Capital Structure and operating cost**

The project report must describe the total capital requirements of the project. It must state the source of finance, it must also indicate the extent of owners funds and borrowed funds. [Working capital requirements](https://accountlearning.com/important-factors-determining-working-capital-requirements/) must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.

Proposed financial structure of venture must indicate the expected sources and terms of equity and [debt financing](https://accountlearning.com/debt-financing-process-involved-after-approval-of-loan-application/). This section must also spell out the operating cost

1. **Management Plan**

The project report should state the following.

1. Business experience of the promoters of the business,
2. Details about the management team,
3. Duties and responsibilities of team members,
4. Current personnel needs of the organization,
5. Methods of managing the business,
6. Plans for hiring and training personnel,
7. Programmes and policies of the management.
8. **Financial Aspects**

In order to judge the [profitability of the business](https://accountlearning.com/how-to-evaluate-profitability-and-returns/) a projected profit and loss account and [balance sheet](https://accountlearning.com/details-various-items-furnished-balance-sheet/) must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, [cash flow statement](https://accountlearning.com/cash-flow-statement-objectives-advantages-importance/) and [funds flow statement](https://accountlearning.com/fund-flow-statement-uses-benefits-significance-importance/) must be prepared every year and at least for a period of 3 to 5 years.

The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years. Break even point and rate of return on investment must be stated in the project report. The accounting system and the inventory control system will be used is generally addressed in this section of the project report. The project report must state whether the business is financially and economically viable.

1. **Technical Aspects**

Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.

1. **Project Implementation**

Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

1. **Social responsibility**

The proposed units draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report

**Problems Faced in the Preparation of a Project Report**

An entrepreneur may face the following problems while preparing a project report:

* Strict condition of promoter’s contribution may dampen the enthusiasm of entrepreneurs.
* All lending institutions demand a lot of documents before credit is granted.
* Problems regarding working capital assessment due to unrealistic assumptions.
* Time overrun will lead to cost overrun.
* Lending institutions expect strict specifications with regard to size of the land, buildings, sources of machinery, their costs, etc.
* A number of clearances have to be obtained from the government departments. This causes strain and wastage among entrepreneurs.

**References:**

1. “Project Management and Entrepreneurship Development” This book is a part of the course by **Jaipur National University**, Jaipur. 2013.
2. “Entrepreneurship Development and Business Ethics” -by Dr. Buddhadeb Chandra and Dr Bhaskar Biswas.