

ENTREPRENEURSHIP
MARKING SCHEME (066/3)

S.No	Questions And Answers	Marks
1	Define the term environmental scanning.	1
Ans	Environmental scanning refers to careful monitoring of an organisation's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans.	
2	What do you mean by reorder point?	1
Ans	It is a level at which a new order must be placed so that the inventory is renewed before the stock reaches zero level.	
3	A salesman approaches you to promote the sales of a water purifier. Which promotional tool is the marketer using by sending a salesman at your doorstep.	1
Ans	Personal Selling.	
4	Hari is an entrepreneur who wants to start an amusement park in Indore. He knows that he needs a huge amount of initial capital. According to you, which of the specialized financial institution will be more suitable to him?	1
Ans	Tourism Finance Corporation of India (TFCI)	
5	Here a private company takes over a public company. Identify the type of acquisition.	1
Ans	Reverse acquisition.	
6	ABC Company, manufacturing shoes, has taken over XYZ Company which also manufactures shoes at small scale. What do you think will be the reason for this kind of takeover?	1+1=2
Ans	Following can be the reasons for the take over: a. ABC Company may have decided to expand in terms of its production and wanted to raise its sales and turnover. b. ABC Company may have decided to expand its area of sales and so may be desirous to take over the marketing area of XYZ Company.	
7	Mohan was a famous fashion designer. He was in the habit of observing the dresses worn by the people. For this he would regularly visit malls, restaurants, parks, trade fairs etc. This helped him in understanding the market and designing the garments in accordance with the market demands. Identify and explain the way in which Mohan spotted this trend. Explain one more way through which Mohan can spot the trends.	1+1=2
Ans	Watch trend – Watching and observing the customers in the market place. If customers are teenagers, in local mall. If business class people, in restaurants or office. Thus, Mohan observed different ways of dressing of people.	

	<p>The other way Mohan could spot trend is: (Any one)</p> <p>Read Trend - Entrepreneurs regularly read the leading publications and websites affecting their business.</p> <p>Talk Trend - Talking to people in specific industry's trade association and online and offline.</p> <p>Think Trend –They collect what they read, hear and observe and start to make connections that will lead to business boosting insights.</p>	
8	As the most basic thing, the entrepreneur must clearly state which things related to Human resource?	1+1=2
Ans	<p>As the most basic thing, the entrepreneur must clearly state following things related to Human resource: (Any 2)</p> <p>a. Kind of Persons to be hired : What kind/type of person is required to be hired for getting the work done.</p> <p>b. Work out : To workout a wide range of personnel ranging from managers, supervisors, administrators, engineers, technical, skilled and unskilled class.</p> <p>c. Type of manpower required : Nature of business activity helps entrepreneur to a large extent in deciding the type of manpower required.</p>	
9	Give the meaning of 'routing' and 'scheduling' as elements of operational plan.	1+1=2
Ans	<p>Routing is a process concerned with determining exact route or path a product/service has to follow right from raw material till its transformation into finished product.</p> <p>Scheduling means fixation of time, date, day when each operation is to be commenced and completed</p>	
10	Mr. Parthiv is a readymade garments manufacturer. His annual usage rate is 225 Pcs. The cost of placing each order is ₹ 8/- and the carrying cost is ₹ 4/- per unit. Calculate the Economic Order Quantity (EOQ).	1+1=2
Ans	<p>D=225 P=8 C=4 $EOQ = \sqrt{2PD/C}$ $= \sqrt{2 \times 8 \times 225}$ $= \sqrt{1800} = 30 \text{ units.}$ ($\frac{1}{2}$mark for formula , $\frac{1}{2}$mark answer, 1 mark for steps) </p>	
11	<p>Working capital of Raj and Co. has the following items in its Balance Sheet : Stock – 50,000; Trade creditors- 32,000; debtors – 75000; cash – 1,00,000; Dividend payable – 50,000; Tax – 44,000; Short term loan- 61,000; Short term investments – 76,000.</p> <p>Calculate: Gross and net working capital.</p> <p>Total Current Assets = Debtors + Stock + Cash + Short term investment $= 75000 + 50000 + 100000 + 76000 = 3,01,000$</p> <p>Total Current liabilities = Creditors + Dividend payable + Tax + Short term loan $= 32000 + 50000 + 44000 + 61000 = 1,87,000$</p>	1+1+1=3

	<p>Gross working capital = Total current assets = 3,01,000 Net Working Capital = Total current assets – Total current liabilities $= 3,01,000 - 1,87,000 = 1,14,000$</p> <p>(Note: $\frac{1}{2}$ mark for calculation of Current assets, $\frac{1}{2}$ mark for calculation of Current liabilities.)</p>	
12	<p>Mahesh started a school business with his brother. Both were very excited about the new venture. With meticulous planning and a lot of hard work they were able to sell 1000 bags in the first year. But they did not earn any profit. Both were happy because they were not at loss and revenue generated was equal to the cost. Now they were moving towards earning profit in the second year.</p> <p>a. Identify the component of the financial plan discussed above. b. By giving any four points state how this component is useful for the entrepreneur.</p> <p>a. Break-even point – It is that level of volume of production at which firm neither makes a profit nor loss. b. BEP is useful to an entrepreneur as it helps in assessing:</p> <ol style="list-style-type: none"> 1. The minimum level of output to be produced. 2. The effect of change in quantity of output upon the profits. 3. The selling price of the product. 4. The profitable options in line of production. 	1+2=3
Ans	(Note: $\frac{1}{2}$ mark for each point for usefulness of BEP.)	
13	<p>“Sensitivity to environment factors is essential for an entrepreneur”. In the light of above statement explain the importance of environmental scanning.</p> <p>Importance to environmental scanning: (Any 3)</p> <p>a. Identification of opportunities to get first mover advantage: By keeping in touch with the changes in the external environment, an enterprise can identify opportunities and find strategies to capitalize on the opportunities at the earliest. b. Formulation of strategies and policies: It helps in identifying threats and opportunities in the market. c. Tapping useful resources: If company has a thorough knowledge of external environment, it can tap raw materials, technology and even financial resources from the market at right price at the right time. d. Better performance: Proper understanding of the environment helps to take timely decisions and improvement in performance. e. Image building: If a company is sensitive to the external environment, it will come out with new product and services to meet customers demand. This would build the image and reputation of the firm.</p>	1+1+1=3
Ans	<p>Lately many companies have planned for significant investment in organised retailing in India. Several factors have prompted their decisions in this regard – Customer income is rising. People have developed a taste for better quality products even though they may have to pay more. The government permitted cent percent foreign direct investment in some sectors of retailing.</p> <p>Identify and explain the various factors according to PESTEL model from the above para.</p> <p>Economic – It includes rise in customer income, interest rates, inflation, business</p>	1+1+1=3

	<p>cycle, unemployment, energy, availability and cost.</p> <p>Social – People taste for better quality products, population demographics social mobility, lifestyle changes levels of education, attitude to work and leisure.</p> <p>Political – It includes the government permission for foreign direct investment in some sectors, taxation policy, government stability, foreign trade regulations.</p>	
15	<p>Pearlview Ltd., a multinational restaurant chain company, gives an exclusive right to four Indian companies to set up the restaurants in metropolitan cities in India in return for their payments and royalties and conformance to standard operating procedures. Indian companies decided to employ local workers and to distribute left over food amongst the needy as a provision in the agreement with Pearlview Ltd.</p> <p>(a) Identify and give the meaning of the concept discussed in the above para.</p> <p>(b) List the main ingredients of the agreement that Pearlview Ltd. will enter into with the Indian companies.</p> <p>(c) Also, identify any one value which the Indian companies want to communicate to the society.</p> <p>Ans</p> <p>a. Franchising – Franchising is an agreement whereby the manufacturer or sole distributor of a trademarked product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties and conformance to standard operating procedures.</p> <p>b. Main ingredients of contract:</p> <ol style="list-style-type: none"> Contract explanation: It is the part of the agreement that outlines the type of relationship a franchisee is entering into with the franchisor. Operations Manual : It is the section of the agreement that details the guidelines that the franchisee must legally follow in operating the business as outlined by the franchisor. Proprietary Statements: Proprietary statements outline how franchise name is to be used, as well as marketing and advertising procedures in place that the franchisee will be required to follow. Ongoing Site Maintenance : It is another item that is outlined in the agreement. Included are the types and timeframes regarding various maintenance items and upgrades that must be made. <p>c. Charity, Concern for underprivileged (any one)</p>	$\frac{1}{2}+2+\frac{1}{2}=3$
16	<p>What is merger? Explain any three types of merger with example.</p> <p>Ans</p> <p>A merger is combination of two companies into one larger company. In merger, the acquiring company takes over the assets and liabilities of the merged company.</p> <p>Types of merger (Any 2)</p> <p>1.Conglomerate: A merger between firms that are involved in totally unrelated business activities. There are two types of conglomerate mergers.: pure and mixed. Eg- A leading manufacturer of athletic shoes merges with a soft drink firm.</p> <p>2. Horizontal merger: A merger occurring between companies in the same industry. Eg- A merger between Coca-cola and the Pepsi beverage division.</p> <p>3.Vertical merger: A merger between two companies producing different goods or services for one specific finished product. Eg-An automobile company joining hands with a parts supplier.</p> <p>4. Market extension merger: It takes place between two companies that deal in</p>	1+1+1=3

	same products but in separate markets.	
17	<p>Mr. Siraj retired as CEO of a well reputed IT company after having worked for 40 years in USA. He returned to India with a desire to encourage entrepreneurial ventures in IT sector. He was approached by Nitin, a budding entrepreneur in IT sector whose venture was in a start up stage and was falling short of funds. Apart from investing funds, MrSiraj also provided proactive advice, guidance and industry connection, mentoring and thus simultaneously helping them in raising returns in investment.</p> <p>a. Identify and explain the source of raising finance used by Nitin. b. State and explain the features of this type of financing.</p>	1+2=3
Ans	<p>a. Angel investor – is an affluent individual who provides capital for a Business start-ups and early stage companies using a high-risk, high-return matrix usually in exchange for convertible debt or ownership equity.</p> <p>b. <u>Features of angel investors:</u></p> <ol style="list-style-type: none"> 1. As angel investors bear extremely high risk and are usually subject to dilution from future investment rounds. They expect high rate of returns. 2. They are current or retired executives, business owners or high net worth individuals who have the knowledge, expertise and funds that help start-ups. 3. They provide guidance, proactive advice, and mentoring start-ups. 4. Their objective is to create great companies by providing value creation, simultaneously helping investors realize a high return on investments. <p>(Note: ½ mark for each point in features.)</p>	
18	<p>“The process of generation of ideas” can be streamlined by developing awareness about it and these work as the convenient frames of references for this.</p> <p>a. Identify the concept stated in the above para b. Explain any three sources of the concept identified which are used by an entrepreneur.</p>	1+3=4
Ans	<p>a. Idea fields b. (Any Three)</p> <ol style="list-style-type: none"> 1) Natural resources: Ideas can be generated based on natural resources. A product or service may be desired from forest resources, agriculture, horticulture, mineral, animal husbandry, wind, sun and human resources. 2) Existing product or service: A business opportunity or idea often comes from everyday problems that someone solves. Successful businesses find a need and fill it by providing a service or product. 3) Market driven or demand driven: Market research is an organized effort to gather information about target markets. 4) Trading related: Trade is buying and selling them to consumers at a profit 5) Service sector: Service sector is the most growing fields due to emerging knowledge societies and advances in Information and Technology. 	
19	An entrepreneur uses a name of famous brand of product for marketing his product. He uses a similar logo for this purpose. Is he correct? Suggest him the correct way.	4

Ans	<p>No, he is not correct.</p> <p>Using a similar logo or name of the product for marketing is a crime. It is a violation of copyright/patent right. Also it leads to short term benefits but long term loss.</p> <p>He should create his own brand name and unique logo. This will provide him long term benefit in his business. Also, being fair in the competition is a moral requirement of any enterprise.</p>																
20	Before operationalization of a Hindu Undivided Family Business, its Karta has to fulfill certain legal formalities. Explain any three such legal formalities.	1+1+1=4															
Ans	<p>Legal formalities involved:</p> <ol style="list-style-type: none"> 1. Capital and members: For an HUF to be created the major requirements is the capital and persons. Capital in the form of ancestral property, assets gifted by relatives and friends, or received by will. The minimum number of members required is two. 2. Select a suitable name : The HUF to be created should have a proper name, ensuring it does not violate the laws or have any negative impact. 3. Form a deed: Formation of HUF should be embodied in a deed which provides that a proper legal deed or agreement is required before creating a HUF, disclosing the name of Karta, coparceners, address and source of funds. 4. Apply of Pan: Application of PAN is also an important step to be undertaken and mandatory requirement as all financial transactions shall carry PAN. 																
21	Saras Soya Company manufactures three products – Soya Paneer, Soya Chunks and Soya Milk. The variable expenses and sales prices of all the products are given below:	$\frac{1}{2}+\frac{1}{2}+1$ $+1+1=4$															
Ans	<table border="1" data-bbox="242 1136 1322 1298"> <thead> <tr> <th>Products</th><th>Soya Paneer</th><th>Soya Chunks</th><th>Soya Milk</th></tr> </thead> <tbody> <tr> <td>Sales Price per unit</td><td>200</td><td>100</td><td>50</td></tr> <tr> <td>Variable Price per unit</td><td>100</td><td>75</td><td>25</td></tr> </tbody> </table>	Products	Soya Paneer	Soya Chunks	Soya Milk	Sales Price per unit	200	100	50	Variable Price per unit	100	75	25				
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<p>The total fixed expenses of the company are ₹ 50000 per month. For the coming month company expects the sale of three products in the following ratio:</p> <p>Soya Paneer: 20% Soya Chunks: 30% Soya Milk:50%</p> <p>From the following information calculate:</p> <ol style="list-style-type: none"> a. Contribution margin per unit b. Weighted average contribution margin per unit c. Overall BEP d. Product wise break even point of each product in units. e. Product wise break even point of each product in rupees. <table border="1" data-bbox="242 1713 1322 1989"> <thead> <tr> <th>Product</th><th>Soya Paneer</th><th>Soya Chunks</th><th>Soya Milk</th></tr> </thead> <tbody> <tr> <td>Selling price per unit</td><td>200</td><td>100</td><td>50</td></tr> <tr> <td>Variable cost per unit</td><td>100</td><td>75</td><td>25</td></tr> <tr> <td>Contribution margin per unit</td><td>100</td><td>25</td><td>25</td></tr> </tbody> </table>	Product	Soya Paneer	Soya Chunks	Soya Milk	Selling price per unit	200	100	50	Variable cost per unit	100	75	25	Contribution margin per unit	100	25	25	
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	<p>Total weighted average contribution margin per unit = $20 + 7.5 + 12.5 = 40$</p> <p>Break-even point = $\frac{\text{Total fixed expenses}}{\text{Total weighted average contribution margin p.u}}$</p> $= \frac{50000}{40} = 1250 \text{ units.}$													
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	<p>Note: ½ mark for calculation of Contribution margin per unit, ½ mark for calculating weighted average contribution margin per unit, 1 mark for calculating BEP (½ mark for formula), 1 mark for product wise break even point in units, 1 mark for product wise break even point in rupees.</p>													
22	<p>Rekha wanted to pitch in to reduce the financial crisis prevailing in her house and thought of working as a cook. She started working in three different households, one Punjabi, one Gujarati, and one south Indian family. She soon realized that all the three households had different cuisine. It was indeed a challenge for her to learn the techniques of the cuisine. All the families really appreciated the time frame within which she had mastered the local cuisine. After working for them for a year, she decided to open a small eating joint of her own along with two of her friends by the name "ApnaBhoj". They decided to share profits equally and each of them will be liable for acts performed by the other two. Soon the eatery became a hot spot because of the fusion platter which was being offered. She also employed 8 local unemployed girls for doing various works.</p> <ol style="list-style-type: none"> Identify the kind of business organization which was set up by Rekha and her friends. Quoting the line from the paragraph, state and explain the features of this form of business organization. 	1+4+1=6												

Ans	<p>c. State any two values which Rekha and her friends wanted to communicate to the society.</p> <p>a. Partnership – A partnership is an association of two or more persons to carry on as co-owners of business and to share its profits and losses.</p> <p>b. Features of partnership</p> <ol style="list-style-type: none"> 1. Two or more persons – There must be atleast 2 persons to enter into contract. Minors cannot form a partnership firm. 2. Agreement – The relation of partnership arises from the contract and not from status. Though oral agreement is even acceptable but written agreement is advisable 3. Profit sharing – The objective of the business is to make profits and distribute the same amongst partners. 4. Unlimited liability – Liability is unlimited. The personal properties can be disposed off to pay the debts of the firm if required. <p>c. Any two values: Courtesy, job opportunities for women, compassion, team work (or any other two correct values)</p>	
23	<p>Nythik after doing his B.Pharm degree from a reputed government college started two chemist shops in two different localities of his home town. Encouraged with the success of these shops, he started six more shops in different cities of the State. His strategy was to cut price, focus on lower and middle class patients and open shops near hospitals. He operated on very thin margins. But he was not able to maintain sufficient funds to meet the day to day expenses of the business. The staff of the shops did not give much attention to the customers and there was very poor system of control. Because of this mismanagement he started incurring huge losses and his business failed.</p> <p>Based on the above para identify and explain any four causes of business failure of Nythik.</p>	$1\frac{1}{2}+1\frac{1}{2}+1\frac{1}{2}+1\frac{1}{2}=6$
Ans	<p>The four causes of business failure are:</p> <ol style="list-style-type: none"> 1. Lack of adequate cash flow: Many business fail because owners have a difficult time projecting what cash will come in every month, and thus, how much can go out. Nythik failed to estimate the correct expense which is required to run the business on daily basis. 2. Management incompetence: Nythik worked on very thin margins which led to huge losses as well as he did not have control over his staff. 3. Diminished customer base: Nythik did not keep a track of his customer base. Competition can cause the customer base to diminish. 4. Poor system of control: Nythik could not have proper internal control activities which led to the failure of his business. <p>(Note: Any other relevant point based on the paragraph may also be considered)</p>	
24	<p>Stock exchange performs a number of functions in respect of marketability of different type of securities for investors and borrowing companies. Explain the important functions of stock exchanges.</p> <p>a. Continuous and ready market for securities: Stock exchange provides a central market for purchase and sale of securities.</p>	$1+1+1+1+1=6$

<p>b. Facilitates evaluation of securities: It publishes price quotation of the shares of the companies that have been listed with them after thorough analysis of demand and supply position. It enables investors to know the true worth of their holdings.</p> <p>c. Check on brokers: It controls the activities of the brokers and protect the investors from being deceived.</p> <p>d. Provides safety and security in dealings: Activities of the stock exchange are controlled by the provisions of the Security Control Regulation Act and all this creates confidence in the minds of investors.</p> <p>e. Facilitates raising new capital: Because of stock exchange, for either development, organisation, the need for more capital by the existing companies is easily met out.</p> <p>f. Serves as economic barometer: Stock exchange indicates the state of health of companies and the national economy.</p>	
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