

**INDIAN SCHOOL MUSCAT
THIRD PRELIMINARY EXAMINATION
ENTREPRENEURSHIP (066)**

ANSWER KEY

CLASS: XII

Time Allotted: 3 Hrs

Max. Marks: 70

1. Capital budget is used to determine whether an organisation's long term investment plans are worth pursuing, whereas cash budget determines when income will be sufficient to cover expenses and when the company will need to seek outside financing. 1
2. Industrial Development Bank of India; Small Industries Development Bank of India; Industrial Finance Corporation of India; Industrial Credit and Investment Corporation of India (Any two) 1
3. 1. To ensure that there is a good market for the service. 2. The rate of return on the investment is attractive. 1
4. It is a business which is owned, managed and controlled by the male members of a Joint Hindu Family. 1
5. It is a recognizable sign, design or expression which distinguished products or services of a particular trade from the similar products or services of other traders. 1
6. Higher Efficiency; Low labour turnover; Better industrial locations; Low flotation cost; Wider higher generation of funds (Any four) 2
7. Talk Trends: talking to people is equally important trend spotting activity which helps the entrepreneur to get inputs on the needs of the customer. This can be done both online and offline. 2
8. 1. Preparation: on the basis of the idea generated the entrepreneur starts looking for the answers to implement the idea. 2. If the idea is to launch a new product or service then market research is conducted. 2
9. Partnership Deed. 2
Contents of the deed: 1. Amount of capital to be contributed by each partner. 2. Profit sharing ratio between the partners. 3. Loans and advances from the partners and the rate of interest thereon. 4. Drawings allowed to the partners and the rate of interest thereon
10. Price Skimming- It is the method where the initial price is set high to attract brand conscious customers and to recover the research and development cost quickly. Penetrating price- It is a 2

method where the prices are kept low or at par with the competitors in order to gain the market share. Once it is achieved the prices are gradually increased to match up with the market.

- 11 (a) Angel Investor. (b)Features: 1. Most angel investors are current or retired executives, business owners or high net worth individuals who have the knowledge, expertise, and funds that help start ups match up to industry standards. 2. As angel investors bear extremely high risk and are usually subject to dilution from future investment rounds. They expect a very high return on investment. 3
- 12 Ans. Gross Working capital = Sum total of all Current Assets = Cash + Debtors + Short term investment + Stock = 20,000+50,000+30,000+70,000= Rs.1,70,000 3
- Net working capital = Current Assets-Current Liabilities Current Liabilities = Outstanding expenses + Creditors + Short term loans = 5000 + 15,000 + 4000= Rs. 24,000
- Net working capital = 1,70,000-24,000= Rs. 1,46,000
- 13 Creativity is an important and key component of the talents and abilities needed for an entrepreneur for spotting and to harness opportunities. It can also be applied to develop new products and services. 3
- There are basically five ways in which creative ideas can be generated: 1. Develop a new product or service. 2. Improve an existing product or service 3. Find a new process or resource for manufacturing a product. 4. Find new markets for existing products or services. 5. Find a new use of an existing product or service.
- 14 To sense an entrepreneurial opportunity, an entrepreneur employs his/her sharpened skills of observation, analysis and synthesis to identify an opening. The most important factors involved in the process are: 1. Ability to perceive and preserve basic ideas which could be used commercially 2. Ability to harness different sources of information and analyse it to the best possible extent 3. Vision and creativity helps them to convert solution into business opportunity and helps them to move forward overcoming all the obstacles. 3
- 15 Co-operative organization; Features: a. 'Formed an organization where in the persons voluntarily associate.....'- voluntary association, anybody can become a member of a co-operative society 3
- b. 'Managing committee that was elected in the basis of one member one vote'- democratic management, the management of the co-operative society is democratically elected.
- 16 No manufacturing involved: If the new venture does not include any manufacturing function, say it's a trading firm or a service provider, and then this section will stand eliminated from the plan. 3
- b) Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe: i) Name and location of subcontractor(s) ii) Reasons for their selection iii) Cost and time involved iv) Any contracts that have been completed etc. In such cases, a clear mention of what entrepreneur intends to do himself and what he plans to get it done from outside is required. c) Complete Manufacturing: If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe: i) the physical plant layout, ii) the machinery and equipment required to perform the manufacturing operations, iii) raw

materials and suppliers names, addresses, terms and conditions, iv) cost of manufacturing v) any future capital equipment required etc

- 17 Ans. It is advisable for an entrepreneur to opt for a direct channel of distribution in the following cases: a. Where the producer or entrepreneur wants to have full control over distribution. b. when an entrepreneur wants to deal directly with the consumers. c. To cut distribution costs. 3
- 18 **Advantages:** a. **Product acceptance:** The franchisee usually enters into a business that has an accepted name, product or service. The franchisee does not have to spend resources trying to establish the credibility of the business. That credibility already exists based on the years the franchise has existed. 2. **Management expertise:** Another important advantage to the franchisee is the managerial assistance provided by the franchisor. Each new franchisee is often required to take a training program on all aspects of operating the franchise. This training could include classes in accounting, personnel management marketing and production. 4
- Disadvantages:** a. **Right and the only way of doing things:** Entering into a franchise contract limits the degree of freedom for the franchise. As such, one gets an over-guided and over influenced degree of control exerted by the franchisor. This results in losing the freedom to innovate to some extent. b. **Continuing cost implication:** Over and above the original franchise fee and royalties, a percentage of revenue gets shared perpetually with the franchisor. The franchisor may also charge additional amounts towards sharing the cost for services provided such as advertising and training.
- 19 a. Securities and Exchange Board of India b. For the discharge of its functions efficiently, SEBI has been vested with the following powers: 1. To approve by-laws of stock exchanges, SEBI. 2. To enquire the stock exchange to amend their by-laws. 3. Inspect the books of accounts and call for periodical returns from recognized stock exchanges. 4
- (c) Discipline; Honesty.
- 20 Break-even analyses are useful for the entrepreneur as it helps in assessing: 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 4
- 21 a. Cause related value b. Social responsibility; Awareness about computer literacy; Balanced regional development. 4
22. Ans. (a) Concept- Goal setting (b) Importance of goal setting: 1. Goal Setting is an important exercise for ensuring the appropriate performance. 2. Goal setting ensures clarity of vision, alignment to the organizational goals, clarity of purpose and higher probability of achieving the goals. 3. Goal setting allows us to be proactive, instead of just being reactive. 4. Rules for goal setting: 5. Business goals need to be relevant. Business owners sometimes make the mistake of choosing business goals that are pointless. To be relevant, a business goal has to be profitable in some fashion. That's not to say that every business goal has to be measurable in rupees, but it does have to possess a clear advantage or benefit to the specific business. 6. Business goals need to be actionable. 6

23	Air Conditioners	Air Purifiers	Sales price per unit	20000	6
	5000	Less: Variable cost per unit	15000	3000	
	----- Contribution margin per unit			5000	
	2000	× sales mix percentage	2/5	3/5	
	Rs.2000	Rs.1200			

Weighted average CM per unit-----Rs.3200 (2000+1200)

Break-even point in units of sales mix = Total fixed cost/ weighted average CM per unit

Rs. 32,00,000/ Rs.3200 = 1000 units	Break-even point in units		
Air Conditioners	Air Purifiers	Sales mix ratio	× total break even units
(2/5×1000)	(3/5×1000)		-----
----- Product units at break-even	400 units	600 units	

Break even in Rupees (400×20,000) (600×5000)
 Rs. 80,00,000 Rs.30,00,000

24 The benefits of understanding the relevant environment of business are: 1. Identification of opportunities to get first mover advantage .2. Identification of opportunities to get first mover advantage. 3. Formulation of strategies and policies 4. Tapping useful resources. 5. Better performance. 6. Sensitisation of entrepreneurs to cope up with rapid changes. 6
