Roll Number		

SET A

INDIAN SCHOOL MUSCAT
SECOND TERM EXAMINATION
ENTREPRENEURSHIP (066)

CLASS: XI TERM 2 Max. Marks: 35

MARKING SCHEME			
SET	QN. NO	VALUE POINTS	MARKS SPLIT UP
	1.	a. Profit earning b. Economic activity c. Dealing in production or purchase of goods d. Regularity in dealings	2
	2.	Vertical expansion a. Backward integration- Taking a step back on the value added chain. In this the producer becomes the its own raw material supplier. b. Forward integration- It is taking a step forward on the value added chain. Here the firm becomes its own wholesaler.	2
	3	Unit cost- It is the cost incurred by a company to produce, store and sell one unit of sale of a particular product / service. It refers to the variable cost like raw material, packing material, sales commission etc. Unit price- It is the price at which one unit of sale is sold.	2
	4	The techniques/ methods of collecting data are census and sample method. 1. Census method- When all the units with a particular problem are studied. 2. Sample method- When only a group of the whole population under study is taken for examination.	2

		Factors affecting the choice of census or sample method a. Accuracy required b. Cost involved c. Time involved	
	5	a. A firm following liberal credit policy- Need more working Capital b. A firm using labour intensive technology – Need more working Capital c. A firm with high turnover of working capital- Need less working Capital d. A firm that is engaged in production process - Need more working Capital	2
	6	Role of Business mentoring 1. Help in defining and understanding the current situations in the enterprise. 2. Help a mentee to assess areas of shortcomings and strengths 3. Provide assistance in finding the necessary information 4. Provides assistance in finding business partners 5. Helps in procurement and utilization of resources required for the venture 6. Assist in preparation of necessary documents (any four)	2
	7	Macro environmental factors are the uncontrollable factors 1. Demographic forces- It refers to human population in terms of size, density, age, gender etc. They help to divide the population into market segments and target market. 2. Economic factors- It refers to the purchasing power of potential customers and the ways in which customers spend money. It includes tax rate, employment rate, depression period in the economy etc. 3. Technological factors- It includes all developments from antibiotics and surgery to nuclear missiles and chemical weapons to automobiles and credit cards.	3

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4. Political forces- It includes laws, government agencies that influence other organizations within a society.
5. Natural forces- It includes pollution, shortage of raw materials etc.
6. Cultural forces- It includes the values, beliefs which is passed on from generation to generation and is very difficult to change, which tend to influence people. (any three)
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a) Product- He decided to name his product as ‘Quit Mos’.
b) Place- He decided to sell this product through agents who will sell to both, the wholesalers and retailers depending upon the market to be catered. c) Promotion- The product was to be packed in a corrugated box with an extension cord as free gift. Or A replacement warranty for one year will be given as an introductory offer.
d) Price- Its price was fixed at ₹260 per unit.
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Types of costs
1. Start-up cost - Cost which is incurred initially a business is started. It is the One time cost. It consists of expenses for acquiring assets as well as initial raw materials and other initial expenses
2. Operational cost – Costs for carrying day to day operations of the business. It can be broadly classified into Fixed and variable cost.
a. Fixed cost- Fixed costs are the ones one has to incur by virtue of the fact that one has started a business and operating it.
b. Variable cost- These are those costs which vary as a total cost to the organization when varies
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Retained profits- Under this, all profits of a company are not distributed amongst the shareholders as dividend, but a part of it is retained and reinvested in the business.
Equity shares- Equity shareholders are the virtual owners of the company. Hence the company is under no obligation to pay either the dividend or the principal amount. This makes them the risk bearers. They enjoy voting rights.
Preference Shares-They enjoy two rights
a. The payment of dividend at a fixed rate before paid to equity shares
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		b. The return of capital at the time of winding up	
	11	All cash transactions are to be recorded in a book called cash book/ cash register. It is the book of original entry. Cash inflow is the items which come into the business. Ex: Owner's equity, Sales receipts, Interest earned, Sale of scrap, Claims received. Cash outflow is the items by which cash goes out of the business. Ex: Purchase of land, building, machinery, raw materials, rent paid, Interest on loan Salary paid etc.	3
	12	a. Variable cost= Direct labour + Direct Material + Direct overhead (100% of direct labour) = 20+50+20 = 90 b. BEP in units= $\frac{\text{Fixed cost}}{\text{Gross margin}} = \frac{9{,}00{,}000}{120-90}$ = 30,000 units c. BEP in ₹= 30,000 X 120 = 36,00,000 d. BEP for target profit= $\frac{9{,}00{,}00 + 60{,}000}{120-90}$ = 32,000 units e. BEP in units if fixed cost increases by 10% Fixed cost = 9,00,000 + 9,00,000X10% = 9,90,000 BEP in units= $\frac{9{,}90{,}000}{30}$ = 33,000 units	5
	13	Venture capitalists are typically very selective in deciding what to invest in and as a rule of thumb:	5

		1) They may invest in one in four hundred opportunities presented to it, 2) Looks for the extremely rare, yet sought after qualities, such as: a) innovative technology, b) potential for rapid growth, c) a well-developed business model d) an impressive management team. 3) Looks for an "exit" in the time frame of typically 3-7 years. 4) Is inclined towards ventures with exceptionally high growth potential. The VC do not fund for seed capital as its result and return both are not sure.	
	14	The entrepreneur need to assess a. What kind of people does he need? Manning table of managerial staff Top level- BOD, President, General Director, CEO Middle level- Departmental heads Lower level- Foremen. Supervisors, Superintendents b. How many people does he need? Selection of personnel 1. Selection 2. Training 3. Orientation and Induction 4. Performance appraisal 5. Feedback 6. Motivation and remuneration 7. Participation in management 8. Compensation and welfare	5
	15	There are three expansion options a. Intensive expansion – Penetration strategy, Product development strategy and Market development strategy	5

		b. Integration – Vertical expansion and Horizontal expansion c. Diversification (Point with explanation)	

	Current Market	New Market
Current Product	Market penetration	Market development
New Product	Product Development	Diversification