



INDIAN SCHOOL MUSCAT SECOND PRELIMINARY EXAMINATION

SET – I

SUBJECT :ENTREPRENEURSHIP

CLASS: XII

Sub. Code:066

Time Allotted:

3 Hrs.

11.02.2019

Max. Marks: 70

EXPECTED VALUE POINTS AND SCHEME OF EVALUATION

Q.NO.	Answers	Marks (with split up)
1.	Horizontal merger	1
2.	Trade Mark: Part of brand that gives legal protection against its use by other firm. It is a legal term protecting the sellers exclusive right to use the brand name. Brand Mark: That part of a brand in the form of symbol, design or distinctive color which can be recognized but cannot be vocalized OR Individual brand name: Distinct names for each product of the company' offerings Family brand name: A common name or company's name for all the products of the company.	1
3.	National Bank for Rural and Agricultural Development OR Tourism Finance Corporation of India	1
4.	Cash flow projection shows the cash that is anticipated to be generated or expended over a chosen period of time in the future	1
5.	This is the seeding stage of new idea where the entrepreneur recognizes that an opportunity exists.	1
6.	Political factors: Political unrest-terrorism-land rights etc OR Think trend: Gathering all the information regularly through reading, hearing, observing. This lead to business boosting insight.	2
7.	Need to scan environment: Need information on changing condition and incorporate these observation into a process where necessary changes are made. Right information, combined with right adaptation, can determine an organizations future viability. If he is not aware about his environmental surrounding, he likely to fail OR Sources of information for environmental scanning: Verbal information from customers, wholesalers, retailers, distributors, consultants, Records of companies Government publications Publications by various financial institutions Formal studies conducted by strategic planners.	2
8.	Elements of business opportunity	2

	<p>Assured market scope</p> <p>An attractive and acceptable rate of return for investment</p> <p>Practicability of idea</p> <p>Competence of the entrepreneur to encash it</p> <p>Potential future growth</p>	
9.	Product franchise business opportunity: Manufacturer grant a store owner the authority to distribute good. She allows the owner to use the name and trade mark owned by the manufacturer	2
10.	<p>Angel Investor</p> <p>Advantages: They have vast industry experience with knowledge, expertise, and funds to help the start-ups</p> <p>Most angel investors provide advice, guidance, industry connections and mentoring start-ups in the early days.</p> <p>They help investors to get high return on their investment and create great companies by providing value creation</p>	2
11.	<p>Private Company</p> <p>Benefits:</p> <ol style="list-style-type: none"> Only two members are required to start a private company Only two directors are required to constitute the quorum to validate the proceedings of the meeting It can commence its business immediately after the incorporation A non member cannot inspect the copy of the p&L account filed with the registrar No limit on the payment of managerial remuneration. Restrictions on appointment or reappointment of managing director do not apply Maintaining index of members is not required Directors need not have qualification shares. 	$\frac{1}{2} \times 6 = 3$
12.	<p>Analytical planning</p> <p>Organizing resources</p> <p>Implementation</p> <p>Commercial application (with brief explanation, any three)</p>	3
13.	<p>Demand: depend upon the size of the market targeted</p> <p>Supply and nature of competition: complete picture of quantities of the product made available by competitors and future supplies</p> <p>Cost and price of the product: cost of the product and its comparison with other producers</p> <p>Project innovation and change: Prevailing innovations and changes carried out by existing competitors. (any three)</p>	
14.	<p>Marketing Mix: It is a mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market.</p> <p>Components of marketing mix: its components are:</p> <ol style="list-style-type: none"> Product Price Place and Promotion <p style="text-align: center;">OR</p> <p>SMART Goals: These are acronym for 5 steps of goal setting</p> <p>Specific: Goals should be well defined and focused</p>	3

	<p>Measurable: Put concrete numbers in your goals to know that you are in the right direction.</p> <p>Attainable: Goal should be realistic</p> <p>Relevant: achievable to current conditions and realities of the business climate</p> <p>Time based: A time frame with in which the goals are to be achieved.</p>	
15.	<p>Inbound logistic : goods are being obtained from the suppliers and is used to produce end product</p> <p>Operations: Raw materials and goods are manufactured through a production line and value is added</p> <p>Out bound logistic: goods are ready to be distributed to the distribution centers- wholesalers, retailers etc.</p> <p>Marketing and sales: Ensured that products are targeted to the correct consumer group.</p> <p>Services: supportive services to the customers like after sales training, guarantee, warrantee etc.</p> <p>OR</p> <p>Supportive activities:</p> <ol style="list-style-type: none"> Procurement: this department must source the raw materials at the best price Technological development: Use of technology to a competitive advantage to reduce cost, develop new product, maximize production etc Human resource management: recruit, train and develop the right people for the organization. Firm infrastructure: In order to ensure finance, legal structure, and management structure 	
16.	<p>$E.O.Q = \sqrt{2 \times PD/C}$; $200 = \sqrt{2 \times 500 \times 2400 /C}$; $200^2 = 2400000/C$; $40000 = 2400000/C$; $C = 2400000/40000$; $C= 60$</p> <p>OR</p> <p>An electrical shop sells 6000 water heaters per year. The demand is uniform throughout the year. Purchase cost of water heater is Rs.120.Holding cost per annum is 20% of the purchase cost. Ordering cost is Rs.500 per order. Calculate Economic Order Quantity.</p> <p>$E.O.Q = \sqrt{2 \times PD/C}$; $E.O.Q = \sqrt{2 \times 500 \times 6000/24}$; $\sqrt{6000000/24}$; $\sqrt{250000} = 500$</p>	3
17.	<p>Functions of State Industrial development corporation:</p> <ol style="list-style-type: none"> Provide term finance to all small, medium and large scale enterprises Underwriting and directly subscribing to shares and debentures Preparing feasibility studies, market survey and motivating entrepreneurs. Collaborating with private enterprises to set up joint sector units Implementing IDBI schemes. 	3
18.	<ol style="list-style-type: none"> Idea germination: seeding stage of new idea-recognizes that opportunity exist Preparation: Looking for implementing idea-market research is conducted 	

	<ul style="list-style-type: none"> c. Incubation: assimilation of information-transition period-process of studying pros and cons of manufacturing the product d. Illumination: comes out with viable plan-takes practical shape by arranging fund, raw material, policies for implementation of idea e. Verification: testing stage-knowledge is developed in application f. Innovation: Application of idea with a commercial value <p style="text-align: center;">OR</p> <p>Ways of trend spotting</p> <p>Read trend</p> <p>Talk Trend</p> <p>Watch Trend</p> <p>Think Trend (with brief explanation)</p>	
19.	<p>Venture capital:</p> <ul style="list-style-type: none"> a. Venture capital is a type of private equity capital provided as seed funding to early stage, high potential high risk growth up entrepreneurs who lack the necessary experience and funds to shape their ideas. b. It helps in the creation of early stage companies c. It helps the expansion revitalization of existing business d. It helps financing of leveraged buy outs of existing division of major or privately owned enterprises. <p>OR</p> <p>Angel investors with justification</p>	4
20.	<p>Introductory profile of a business plan includes:</p> <ul style="list-style-type: none"> a. Entrepreneur's bio-data b. Industry profile c. Constitution and organization d. Product details (with explanation) 	4
21.	<p>Vertical and Horizontal:</p> <ul style="list-style-type: none"> a. Vertical merger: A merger between two companies producing different goods and services for one specific finished product. It is merger between two or more firms operating at different level within an industry's supply chain, merge operations. b. Horizontal merger: A merger between the companies in the same industry-it is a type of business consolidation that occurs between firms that are competitors offering the same good-aims to gain market share. Example: Coca-cola and Pepsi beverage division. <p>Amalgamation and Absorption</p> <p>Amalgamation: Two entities combine together and form a new entity, existing both the entities. $A+B = C$, where C is a new entity</p> <p>Absorption: One business entity is absorbed into other. The later does</p>	4

	not lose its identity. $A+B = A$ where B is merged into company A.	
22.	<p>Own investment (Equity): Rs. 8,00,000 Borrowed fund: Rs. 12,00,000 Total investment: Rs. 20,00,000 Sales Revenue: (12x12,00,000): 1,44,00,000 Less cost of goods sold (12 x 7,00,000) 84,00,000</p> <p>Gross Margin 60,00,000 Less fixed expenses (12x2,00,000) 24,00,000 Less Interest (12,00,000 x 6/100) 72,000</p> <p>Profit before tax 35,28,000 Less tax 8,82,000</p> <p>Profit after tax 26,46,000</p> <p>ROI = (profit after tax/Investment) x 100 = (26,46,000/20,00,000) x 100 = 132.3 ROE = (Profit after tax/Equity) x 100 = (26,46,000/8,00,000) x 100 = 330.75</p>	3+3 = 6
23.	<p>Cost plus pricing: Manufacturer charges a price to cover the cost of production plus a reasonable profit. Advantages:</p> <ol style="list-style-type: none"> Company knows exactly the expenditure that has incurred there by it can add a profit that helps to get desired revenue. It is the simplest method to decide the price It makes easier for the company to evaluate the reasons for escalation in expenditure and take remedial measures. <p>Disadvantages:</p> <ol style="list-style-type: none"> It does not take into account the future demand It does not take into account of competitors action It may result in overestimating the cost, price revenue etc. <p>Penetration Pricing: Price is initially set at a lower level than the eventual market price to attract the customers. Advantages:</p> <ol style="list-style-type: none"> It can result in fast diffusion and adoption It can create goodwill among the early adopters segment It ensures cost control and cost reduction from the beginning itself and result in greater efficiency Discourages entry of competitors It can create high stock turnover throughout the distribution channel <p>Disadvantages:</p> <ol style="list-style-type: none"> It establishes a long term price expectation for the product Low profit margin may not be sustainable in the long run <p style="text-align: center;">OR</p> <ol style="list-style-type: none"> Rules to be followed while designing advertisement Aims: Related to primary purpose of advertisement Target: Related to which sector of public the advertisement 	

	<p>target. Media: selection of most suitable media to advertise Competitors: How to beat the competitors by achieving a greater success</p> <p>b. Promotion strategy to be followed: It is a method to spread the word about the product to the customers, stake holders and to the broader public. It can use:</p> <p style="padding-left: 40px;">Above the line strategy: It is mass media method. Focusing large audience. It includes print, online, television, billboards and cinema advertisement.</p> <p style="padding-left: 40px;">Below the line strategy: focusing on targeted group of customers. This can be through sponsor ship, sales promotion, public relation, personal selling and direct marketing.</p> <p style="padding-left: 40px;">Through the line: It advertisement strategy involves both above the line and below the line strategy.</p>	
24.	<p>Steps to be followed while preparing a marketing plan</p> <ol style="list-style-type: none"> a. Business situation analysis: Present position related to personal profile, product development, need to be satisfied, experience of entrepreneur, planned marketing segmentation etc. b. Identify the target market: it involves market research and industry analysis, division of market in smaller groups, selection of segments to target, developing marketing plan etc. c. Conduct swot analysis: Related Strength, Weakness, Opportunities and Threats. d. Establish goals: Goals which are realistic, quantifiable, measurable, specific etc e. Define marketing strategy: marketing strategy and action plan related Price, Product, Promotion and Place. 	6
