

INDIAN SCHOOL MUSCAT

FINAL EXAMINATION

NOVEMBER 2019

SET A

CLASS XII

Marking Scheme – ENTREPRENEURSHIP [THEORY]

Q.NO.	Answers	Marks (with split up)
1.	Social	1
2.	Lead time and Demand OR Traditional Budgeting and Zero based budgeting.	1
3.	c. Acquisition	1
4.	It considers the ways in which the organization can produce goods and services with minimum environmental damage OR Micro and Macro environment.	1
5.	Private Placement.	1
6.	Angel Investors. He is an affluent individual who provides capital for a business start-up and early stage companies having a high risk, high return matrix usually in exchange for a convertible debt or ownership equity.	1+1
7.	(i) Brand (ii) Brand name, brand mark and trade mark. OR There are four rules to consider when planning any advertising activity. (i) Aim (ii) Target (iii) Media (iv) Competitors.	1+1
8.	(i) Product acceptance (ii) Management expertise (iii) Capital requirements (iv) Knowledge of the market (v) Operating and structural controls. (Any two)	1+1
9.	(a) Small distribution channel (b) Long distribution channel (c) service of middlemen is taken-long channel (d) direct sales.	½ x4 =2

10.	<p>(i) Recognition: The market values of companies share shares are published in important dailies. This enhances the reputation of good companies/entrepreneurs.</p> <p>(ii) wide market: the securities of some companies are listed in some stock exchanges. The market for the securities of such companies is considerably widened.</p> <p style="text-align: center;">OR</p> <p>Stock option provided to the employees to buy company's share mostly as a preference price which is less than market price.</p> <p>The employees become shareholders of the company and become entitled to share future profits of the company. It is offered to employees to increase the motivational level and to retain them in the company.</p>	1+1=2
11.	<p>(i)Pre start up and start up finance: if the idea/product is qualified for further investigation, the process will go to the second stage., start up stage. The management team establishes a feasible production line to produce the product.</p> <p>(ii)Second round financing: At this stage the idea has been transformed into a product and is being produced and sold. The entrepreneur at this stage needs assistance from the venture capitalist for expansion, modernisation and diversification so that economies of scale and stability could be attained.</p> <p style="text-align: center;">OR</p> <p>Dissemination of useful information: stock exchange publishes useful information regarding pricelists, quotations etc of securities through news- papers and journals.</p> <p>Ready market: persons desirous of converting their shares into cash may easily do so through a member of stock exchange.</p> <p>Investors interests protected: Stock exchanges formulate rules and regulations so that members may not exploit the investors.</p>	1.5+1.5
12.	$EOQ = \sqrt{2PD/C}$ $= \sqrt{2 \times 2000 \times 8000 / 500} = \sqrt{64000} = 252.98 \text{ (253)}$	1+2
13.	<p>(a) Personal selling: It means selling products personally. It involves oral presentation of message in the form of conversation with one or more prospective customers with the purpose of making sales.</p> <p>(b) Direct channel/zero level of distribution.</p>	2+1
14.	<p>(i) Vertical Merger</p> <p>(ii) Product extension merger</p> <p>(iii) Conglomerate merger.</p>	1+1+1
15.	<p>(i) Acquiring new technology: To remain competitive, companies need to constantly upgrade their technology and business applications. By buying another company with unique</p>	1+1+1

	<p>technology, the buying company can maintain or develop a competitive edge.</p> <p>(ii) Acquiring a competency: Companies also opt for M&A to acquire a competency or capability that they do not have and which the other firm does.</p> <p>(iii) Access to funds: Often a company finds it difficult to access funds from the capital market. This weakness deprives the company of funds to pursue its growth objectives effectively. In such cases, a company may decide to merge with another company that is viewed as fund-rich.</p> <p style="text-align: center;">OR</p> <p>i) Procurement: the purchase department must source good quality raw materials at competitive price.</p> <p>(ii) Human Resource Management: The organisation should recruit, train and develop right people for achieving success. Staff will have to be motivated and adequate remuneration should be paid to retain them.</p> <p>(iii) Technological Development: technology should be developed in such a way that costs are reduced, new products are developed through research and increasing use is made of internet, so that customers can have 24x7 access to the firm</p>	
16.	<p>A capital market may be defined as an organised mechanism meant for effective and smooth transfer of money capital or financial resources from the investors to the entrepreneurs.</p> <ul style="list-style-type: none"> • The capital market can be classified as: <p>(i) Primary market: It refers to the market wherein securities are sold for the first time.</p> <ul style="list-style-type: none"> • It is basically to facilitate the transfer of resources from the savers to the entrepreneurs seeking funds for • Setting new enterprises • Expanding and diversifying. <p>Secondary market</p> <p>It is also known as stock market or stock exchanges to market for sale and purchase of previously issued securities.. Trading can be done nationwide through terminals, but the transactions have to be carried out within the regulatory framework prescribed by SEBI.</p>	1+1+1
17.	<p>Incubation.</p> <p>Illumination: In this period the idea re-surfaces in a realistic way. The entrepreneur comes with a viable plan to give practical shape of his idea by collecting raw materials, arranging funds, policy making etc.</p> <p>Verification:</p>	1+2

	<p>This is also called validation or testing stage. This is where the idea is verified to prove that it has value. This is the most difficult phase of creativity. This is the developing stage in which knowledge is developed into application.</p> <p style="text-align: center;">OR</p> <p>It is the process of entrepreneurship which involves the translation of a useful idea into an application which has commercial value. Analytical Planning, Resource Organization, Implementation, commercial application. (Explain)</p>	
18.	<p>Establishing short or long term objectives, usually incorporating deadlines and quantifiable measures.</p> <p>(i) Business goals need to be relevant:</p> <p>To be relevant, a business goal has to be profitable in some fashion. Pointless goals which are not profitable for the business should not be chosen.</p> <p>(ii) Business goals need to be actionable:</p> <p>Business goal should be developed in the form of specific actions that can be performed and evaluated. Goals without action plans are of no use. Vague and abstract goals should not be set up.</p> <p>(iii) Business goals need to be achievable stretches: The purpose of business goal is to move the business forward. If the goal is set too high, then for fear of failure, no one will try to achieve it. If it is set too low then no one will bother to do it for lack of satisfaction and recognition.</p>	1+3
19	<p>Problem: when a problem exists, an idea leads to a solution to resolve that problem, emerges as a business opportunity.</p> <p>Change: A change in social, legal, technological aspects leads to new opportunities to start a business.</p> <p>Inventions: new products or services leads to new business opportunities</p> <p style="text-align: center;">OR</p> <p>Demand analysis: this refers to the assessment of the willingness and ability of the customers to buy products or services. It analyses the economic status and expenditure pattern of the customers, their needs and number of potential customers.</p> <p>Supply & nature of competition: it tells about the number of enterprises</p>	2+2

	<p>with their name and share in the market. It also tells about strengths and weaknesses of the product, the credit terms and trade practices followed by enterprise.</p> <p>Cost and price of product: the entrepreneur should consider the cost of material, labour, overheads and other expenses to determine the price. Pricing is a process fixing a monetary value to the product or service against its utility. It mainly depends on cost of products, already in market.</p> <p>Project innovation and change: technological advancements in the field have to be analysed because they may change the quality and influence the cost and price ultimately</p>	
20	<ul style="list-style-type: none"> • Continuous and ready market for securities: Buyers & sellers are provided with a platform where they could trade in securities as and when they want. • Facilitates evaluation of securities: Stock exchanges publish price quotation of the shares of the companies, listed with them, after a thorough analysis of demand and supply forces. This enables the investors to evaluate different securities. • Checks on brokers: stock exchanges control the activities of brokers and protect the investors from being cheated. If any broker is found indulging in any mal practices, his licence will be cancelled. • Provides safety and security in dealings: activities of the stock exchange are controlled by the provisions of the Securities Control (Regulation) Act and all this creates confidence in the minds of investors. • Regulates company management: Listed companies have to comply with rules and regulations of concerned stock exchange and work under their vigilance. (Any four) 	1x4=4
21	<ul style="list-style-type: none"> • Customer Relationship Management. • CRM allows all business data to be stored and accessed from a single location. • CRM contains each every bit of details of a customer. i.e. a 360-degree view of all customers information, hence it is very easy to track a customer and accordingly decide which customer can be profitable and which not. • All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces time and increases productivity. • It is very cost effective.- less need of paper and manual work which requires lesser staff. • Efficiently dealing with all the customers and providing them what they actually need increases the customer's satisfaction. 	1+3=4

	<p style="text-align: center;">OR</p> <p>(i)Individual Brand Name: Under this strategy, an entrepreneur chooses a distinct name for each of his offering, i.e., each product is promoted on the basis of a separate brand name. Example: Lux, lifebuoy etc</p> <p>(ii) Family Brand name: entrepreneur can opt to use a common or successful family name for their several products. either the entrepreneur's name or the company's name may be used for all the products. Ex: Ponds. Mother brand name used for shampoos, cold creams.... Maggi, Amul –large variety of dairy products(milk, ghee, butter)</p> <p>(iii)Corporate names: entrepreneur can choose their corporate name or logo together with some brand name of individual product. Ex. Godrej, Tata, Bajaj etc.</p> <p>(iv)Alpha-numeric names-it signifies its physical characteristics-creating a distinctive identity of the product. Entrepreneur has an option available to brand his/her products too. For ex. SX4, i10, i20 etc.</p>															
22	<p>(i)Quality added value: small size wireless mobile charger". Quality added value is basically adding convenience, ease of use or other desirable characteristics that customer's value. For example turning a commodity into a branded product or design enhancements like pull tabs for easy opening or sipper tops beverage bottles.</p> <p>(ii)Environmental added value: consumes less electricity- environmental added value employs methods or systems that do not harm the environment or are less harmful than those commodity used. For example, using less electricity, using less fuel, and using recycled material for packing.</p> <p>(b) Value chain is a high level model of how business receives raw materials, and value to the raw materials through various processes and sells as finished products to customers. It is the whole series of activities that create and build value at every step. Michael Porter developed this concept. He suggested that organization is split into primary and supportive activities for value</p> <p style="text-align: center;">OR</p> <p>Unrealistic price paid for target company Difficulties in cultural integration overstated synergies Integration difficulties Poor business fit Inadequate due diligence (Explain each point)</p>				2+2+2											
23	<table><tr><td>Capital Invested</td><td></td><td>10,00,000</td></tr><tr><td>Equity</td><td>4,00,000</td><td></td></tr><tr><td>Borrowed Capital</td><td>6,00,000</td><td></td></tr><tr><td>Income Statement</td><td></td><td></td></tr></table>	Capital Invested		10,00,000	Equity	4,00,000		Borrowed Capital	6,00,000		Income Statement					1+4+1
Capital Invested		10,00,000														
Equity	4,00,000															
Borrowed Capital	6,00,000															
Income Statement																

	<table><tr><td>Sales Revenue</td><td>6,00,000</td><td></td></tr><tr><td>(-) cost of goods sold</td><td>3,00,000</td><td></td></tr><tr><td>Gross Margin</td><td></td><td>3,00,000</td></tr><tr><td>(-) Fixed expenses</td><td></td><td></td></tr><tr><td>Salary</td><td>1,50,000</td><td></td></tr><tr><td>Rent and utility</td><td>50,000</td><td></td></tr><tr><td>Interest @ 10%</td><td>5,000</td><td></td></tr><tr><td>=6,00,000x10/100x1/12</td><td></td><td></td></tr><tr><td>Depreciation 10,000/12</td><td>833</td><td></td></tr><tr><td>Profit before tax</td><td></td><td>94,167</td></tr><tr><td>Tax @ 20%</td><td>18,833</td><td></td></tr><tr><td>Profit after tax</td><td></td><td>75,334</td></tr></table> <p>ROI = 75334/10,000 x 100 =7.53%</p> <p>ROE= 75334/6,00,000x100 = 18.83%</p>	Sales Revenue	6,00,000		(-) cost of goods sold	3,00,000		Gross Margin		3,00,000	(-) Fixed expenses			Salary	1,50,000		Rent and utility	50,000		Interest @ 10%	5,000		=6,00,000x10/100x1/12			Depreciation 10,000/12	833		Profit before tax		94,167	Tax @ 20%	18,833		Profit after tax		75,334	
Sales Revenue	6,00,000																																					
(-) cost of goods sold	3,00,000																																					
Gross Margin		3,00,000																																				
(-) Fixed expenses																																						
Salary	1,50,000																																					
Rent and utility	50,000																																					
Interest @ 10%	5,000																																					
=6,00,000x10/100x1/12																																						
Depreciation 10,000/12	833																																					
Profit before tax		94,167																																				
Tax @ 20%	18,833																																					
Profit after tax		75,334																																				
24	<ul style="list-style-type: none">• Product or service identification: The first step is to obtain a concept of product or service suggested by one idea. We should also see whether this product is already available in the market• Application and use: If it is already exists in the market then find out its present use and modification. If it is completely new then find out its actual use by detailed study.• Level of operation: The entrepreneur will decide to produce it in a cottage industry, small scale industry or large scale industry depending upon its use and demand.• Cost: The price of the product should be determined by keeping in mind the prices of similar competitive products and cost incurred on its production.• Competition: market competition should be studied through trends in demand and supply. <p style="text-align: center;">OR</p> <p>(i)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 capitalise on the opportunities at the earliest.</p> <p>(ii)Formulation of strategies & policies It helps in identifying threats and opportunities in the market.</p> <p>(iii)Tapping useful resources: If the company has a thorough knowledge of the external environment, it can tap raw materials, technology and even financial resources from the market at economical prices at right time.</p> <p>(iv)Better performance</p>	1x6																																				

	<p>Proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities for the purpose of improvement in the performance of the firm.</p> <p>(v) Sensitisation of entrepreneurs to cope up with rapid changes: A keen watch on the trends in the environment would help sensitize the entrepreneur to changing technology, competition, government policies and changing needs of the customers. Ex: trends in clothing</p> <p>(vi) Image building. If the company is sensitive to the external environment, it will come out with new products and services to meet the requirements of the customers.</p>	
--	--	--