

INDIAN SCHOOL MUSCAT
FIRST PRELIMINARY EXAMINATION
SUBJECT : ENTREPRENEURSHIP

Sub.Code: 066

MARKING SCHEME -SET A

1	Distinguish between 'Sales Tax' and 'Excise Duty'. Ans: Sales Tax –tax on sales Excise duty – tax on manufactured goods	1
2	What is meant by 'Employment'? Ans: An activity in which an individual works regularly for others and get remuneration in return, undertaking personal services as per the agreement of employment	1
3	Give the meaning of 'Legal Environment.' Ans: Covers taxation, employment law, legislation and environmental laws Or What is trend spotting? Ans: Refer set C	1
4	What is Innovation? Ans: Process of translation of a useful idea into an application which has commercial value	1
5	Rahul wants to start an amusement park near Vishakhapatnam. This will require an investment of ₹.50 lakhs. Name the financial institution which Rahul should approach for financing this venture. Ans: Tourism Finance Corporation of India Or Patamadai, a small town resides along the banks of the Tamaraparani river, 20Kms away from Tirunelveli in Tamilnadu. This place is world famous for its silken mats woven from grass. The majority of mats made in here have cotton warps and korai wefts. The process of mat weaving is time consuming and painstaking. This handicraft industry has gone through a cycle of transition from being most coveted to the most ignored. Producers had changed the method of production but off late many of them are reverting back to traditional methods of dyeing and processing the korai grass. Mass production now requires more finance. Which financial institution these producers should approach for help? Ans: Refer Set C	1
6	It is a process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage. Identify the concept and mention the components of the identified concept. Ans: 1. Marketing Strategy 2. Product,price,place and promotion	1+1
7	Give the meaning of 'Routing' and 'Scheduling' as elements of operational plan. Ans: Routing: determining the exact route of transformation into a finished goods from raw	2

	<p>material</p> <p>Scheduling: Fixation of time, day when each operation is to be commenced and completed.</p> <p>Or</p> <p>A summary of the projected assets, liabilities and net worth of the entrepreneur is depicted through a proforma that helps entrepreneur to reflect the position of the business at the end of its first year. Identify the term referred here. To which component of Business Plan the Term belong to?</p> <p>Ans: Refer Set C</p>	
8	<p>Mention any two importance of Business Plan</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Helps in satisfying the concerns, queries, and issues of each group of people interested in the venture. 2. helps in determining the viability of the venture in a designated market 	2
9	<p>With its help the consumers are able to identify the products of a firm and are also able to differentiate them from those of the competitors. Identify the concept and state its components.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Brand 2. Brand name, brand mark and trade mark <p>Or</p> <p>"It is the mixture of controllable variables that the firm uses to pursue the sought level of sales in the market". Identify the concept and mention the components</p> <p>Ans: Refer Set C</p>	$\frac{1}{2} + 1$ $\frac{1}{2}$
10	<p>A business enterprise which works with the principle of each for all and all for each.</p> <p>Name the form of enterprise and mention any two features.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Co-operative societies 2. Voluntary organization and Service motive 	$1 + \frac{1}{2}$ $+ \frac{1}{2}$
11	<p>What is meant by "Problem Identification"? State it's any two uses.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Identifying roadblock or conflict that helps to find a solution to the customers problem. 2. Uses – bring out new products and Be creative 	1+1+1
12	<p>Deepak and Gaurav joined the prestigious law university in Ahmadabad in the year 2017. During the course of study they became good friends and they both realized that their common interest lies in the field of corporate law. After completion of their degree they decided to start a firm of corporate of their own, namely 'Legality' wherein both of them will be co-owners dividing the profit and loss. After a year of service, they realised that there are certain rights which are denied to their firm as its not registered.</p> <p>Identify the form of organization structure in the case and mention any two consequences of non –registration of a firm.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Partnership <p><u>Consequences:</u></p> <ol style="list-style-type: none"> 1). A partner cannot file a suit in any court against the firm or other partners for the enforcement of any right arising from a contract or right conferred by the Partnership Act. 2) A right arising from a contract cannot be enforced in any Court by or on behalf of the 	1+1+1

	<p>firm against any third party Or An entrepreneur who is interested to operate his or her enterprise as an HUF is required to comply with various requirements. Explain any three such requirements.</p> <p>Ans: Refer set C</p>	
13	<p>State the advantages of 'Good Negotiations'.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Build better relationships 2. Deliver lasting solutions 3. Avoid future problems 	1+1+1
14	<p>'For the smooth and orderly functioning of corporate sector in a free market economy, stock exchanges are indispensable because of different roles played by them for different groups.' Explain the importance of stock exchange to investors in the light of this statement.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Dissemination of information 2. Ready market 3. Investors interest protected 4. Barriers of distance removed 5. Genuine guidance about the securities listed 6. Knowledge of profit or loss on investment. (any three) 	1+1+1
15	<p>'The Fancy Store' a readymade garments retail shop sold 8,000 shirts at ₹.400 per shirt during the year ended 31st March, 2014. Cost of placing an order and receiving goods is ₹ 2,000 per order. Inventory holding cost is ₹ 500 per year. Calculate the 'Economic Order Quantity' for 'The Fancy Store'.</p> <p>ANS: Economic Ordering Quantity</p> <p>Formula = $\sqrt{2PD/C}$</p> <p>= $2 \times 2000 \times 8000 / 500$</p> <p>= $\sqrt{64000}$</p> <p>Ans = 252.98 units (253)</p> <p>Note: 1 mark for the formula; 1½ marks for calculations and ½ for the correct answer</p> <p>Or</p> <p>The raja and Company has the following items in its Balance Sheet: stock -50,000 ; trade creditors -30,000; debtors -70,000; cash -100,000; dividend payable-45,000; short term loans-60,000; short term investments-75,000; tax45,000.</p> <p>Calculate gross and net working capital.</p> <p>Ans: Refer set C</p>	3
16	<p>Naveen after completing his M. Tech in Nano Technology wanted to start his own business. He thought to manufacture sophisticated instruments used in surgery. He knew that his knowledge of Nano Technology will help him in manufacturing these instruments. According to him such instruments will help the surgeons to operate upon the patients with accuracy, with minimum blood loss and quick post operation recovery. Such types of instruments are used in advanced countries only and there was a risk in marketing the same. The cost price of machinery required for manufacturing such instruments was very high and more research was required in this field of Nano</p>	1 ½+ 1 ½

	<p>Technology. For seed funding, Naveen approached 'Himani Capital Ltd.', who finance such types of projects. 'Himani Capitals Ltd.' after analysing the proposal agreed to provide seed capital to Naveen.</p> <p>Explain the different stages of 'Early stage financing' to seek venture capital finance after the one discussed above</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Seed capital 2. Start up (explain each point) <p style="text-align: center;">Or</p> <p>Going public is a complex decision that requires careful consideration and planning. Entrepreneurs should examine their current and future capital needs, and be aware of how an IPO will affect the availability of future financing. What are the drawbacks to an entrepreneur in going public?</p> <p>Ans: Refer Set C</p>	
17	<p>'Pure Neer India Ltd.' is the manufacturers of water purifiers. The company has developed a new water purifier that not only converts the hard water into soft water but also kills the bacteria and other harmful micro organisms present in it. The company has named this water purifier as 'Nirmal Neer' and for its marketing,appointed, 400 salesmen throughout the country. The company also trained the salesmen to provide information about the usefulness of the 'Nirmal Neer' water purifiers to the customers and motivate them to buy the same.</p> <p>(a) Name and explain the 'type of promotion strategy' adopted by the company.</p> <p>(b) Also identify the channel of distribution used by the company.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Below the Line- personal selling (explain) 2. Zero level 	2+1
18	<p>'Information for environmental scanning can be collected from several sources.' State any four such sources.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Information from customers, wholesalers, retailers etc. 2. Record of companies 3. Government publications 4. Publications of financial institutions. <p style="text-align: center;">Or</p> <p>Harish, after finishing his degree wanted to start his own business. He was confused as to the kind of business he should start. He attended a start-up session. One of the speakers stated that 'Creativity can be used to spot and harness opportunities as well as be applies to develop new products and services'. State any four ways in which creative ideas can be generated.</p> <p>Ans: Refer Set C</p>	4
19	<p>After doing her M.Com. from 'Himachal Pradesh University of Shimla', Komal went back to her village in Kinnaur district of Himachal Pradesh. She wanted to contribute for the development of women of her village, so she formed an organization, the membership of which was open for all the women villagers on voluntary basis by paying ₹ 500 only which will be treated as their capital. Komal knew that the land of her village was suitable for the farming of medicinal plants. So she motivated the members of her organizations for growing medicinal plants in their fields under the guidance and help of the local agricultural department. It was also decided that the organization will purchase the produce of each member and sell the same to drug manufacturing companies, at a very good price which was not possible for the members individually. The main objective of the organisation is to render services to its members rather than to earn profit.</p>	1+1+1 +1

	<p>A computer training centre for young boys and girls of the village was started under the guidance of Komal from the surplus of the profits.</p> <p>(a) Name the process that helped Komal in developing an idea into an opportunity. (b) Identify the kind of organization that was formed by Komal. (c) State any two values which Komal wanted to communicate to the society</p> <p>Ans:</p> <ol style="list-style-type: none"> product identification co-operative societies values – serve the society empower women 	
20	<p>It is a quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues, resource quantities, costs and expenses.</p> <p>Identify the concept and mention the importance of identified concept to an entrepreneur</p> <p>Ans:</p> <ol style="list-style-type: none"> Budget 1. Helps to set goals 2. helps to take the pulse of the business 3. compare actual performance <p>Or</p> <p>What is Cash Conversion Cycle? Explain the stages with a diagram.</p> <p>Ans: Refer set C</p>	1+3
21	<p>'Jagriti Ltd' are the manufacturers of Cars for the last 15 years and was earning good profits. Recently, due to the irregular supply of parts by the suppliers the company could not make timely delivery of cars to its customers. The customers cancelled their bookings and there were very few new bookings. As a result the sale of the cars declined and also the profits. The management of the company analysed the problems and decided to take over those two firms because of whom the problems arose. One of them was supplying engines and the other tyres. The company also launched new discount schemes for its customers. It also decided to employ 200 unemployed young boys and girls to take up the cleaning operations using imported machines inside the factories as well as the surrounding areas.</p> <p>(a) Identify and state the concept of 'Enterprise Marketing and Growth Strategies' discussed in the above para. (b) Identify any one value which 'Jagriti Ltd' wanted to communicate to the society</p> <p>Ans:</p> <ol style="list-style-type: none"> Vertical merger (explain) Values: Provide employment Respect customers 	2+2
22	<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 lines. (b) Explain any three sources of the concept identified which are used by an Entrepreneur</p> <p>Ans:</p> <ol style="list-style-type: none"> Idea fields 1. Natural resources 	1+5

2.service related
3. trading related (explain each)

23

The School Go Ltd. Manufactures three products- Tiffin covers; Bottle covers; Pencil Pouch.

Sale price per unit of each is ₹ 200, ₹ 100 and ₹75 respectively

Variable cost per unit of each is ₹ 100, ₹ 60 and ₹ 25 respectively

The Total fixed expenses of the company are ₹ 55, 000 per month.

For the coming month, it expects the sale of three products in the following proportions :

Tiffin covers:20%

Bottle covers: 50%

Pencil Covers:30 %

Compute break - even point of the company u units and rupees for the coming month.

Ans:

PRODUCT	Tiffin cover	Bottle cover	Pencil cover	Total
SP @unit	200	100	75	
VC @unit	100	60	25	
G profit	100	40	50	
WA CM	100 x 20%	40 x 50%	50 x 30 %	
	20	20	15	55
BEP				=FC/WACM =55000/55 =1000
BEP	1000 X 20%	1000 X 50%	1000 x 30%	
	200	500	300	
BEP IN Rs	200 x 200	500 x 100	300 x 75	
	40000	50000	22500	

Or

Raj Singh has started a restaurant on a National Highway in the name of 'Desi Dhaba' by spending ₹ 25, 00,000. He invested ₹ 10, 00,000 of his own and took a loan of ₹ 15, 00,000 from Dena Bank, @ 6% per annum. His monthly sales revenue is ₹ 17, 00,000 and cost of goods sold is ₹ 9, 00,000. He pays monthly salary of ₹ 3, 00,000 to his employees. The tax rate is 25%. You are required to calculate :

(a) Return on Investment and

(b) Return on Equity for Raj Singh

24

Raghav after doing his B. Pharma. 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.

Based on the above para identify and explain any six causes of business failure of Raghav.

6

1X6=6

Ans:

1. Inadequate financing
2. Lack of adequate cash flow
3. Unworkable goals
4. Uncontrolled growth
5. Inappropriate location
6. Poor system of control (explain each)

Or

It is about building good relations with the stakeholders of the business by obtaining favorable publicity, building a good corporate image and handling or heading off unfavorable rumours, stories and events. Identify the term and mention main tools used by an entrepreneur in this regard.

Ans: Refer set C