

INDIAN SCHOOL MUSCAT**SECOND PRE-BOARD EXAMINATION****APRIL 2021****SET A****CLASS XII****Marking Scheme – ENTREPRENEURSHIP**

Q.NO.	Answers	Marks (with split up)
1.	True	1
2.	Innovation	1
3.	Creativity / Read trend	1
4.	Sales mix	1
5.	Social / Economic environment	1
6.	Natural resources	1
7.	Idea-Knowledge-Skills-Competency-Creative thinking-Opportunity	1
8.	Dispatching	1
9.	Marketing plan	1
10.	Taglines	1
11.	Trade secret	1
12.	Reorder point	1
13.	Private company / Internal operational plan	1
14.	Copy right / Penetration pricing	1
15.	Below the line / Below the line	1
16.	Private placement / Angel investors	1
17.	Place mix / Direct channel or Zero level	1
18.	Horizontal merger / Conglomerate merger	1
19.	Manufacturing franchise opportunity	1
20.	Franchising	1
21.	Operating cycles or Cash conversion ration	1
22.	Ans: $ROI = \frac{\text{Net profit after interest and tax}}{\text{Investment}} \times 100$ $= \frac{9,00,000}{45,00,000} \times 100$ $= 20\%$	2
23.	Target market refers to the group of specific potential customers who are interested in availing the products or services provided by the enterprise. Deciding the “target market” is a very complex task. Deciding on the target market involves Deciding the basis on which the entrepreneurs or general market pursue through market research or analysis of the industry. The industry analysis or market research need to be performed by the entrepreneurs themselves or by highly experienced professionals.	2

	<p>Segmenting the market based on</p> <p>a. Consumer profile or characteristics. Examples are</p> <ol style="list-style-type: none"> Geographic such as city, state, country Demographic such as age, gender etc Psycho-graphic such as life style, personality, education etc <p>b. Buying situations. Examples are</p> <ol style="list-style-type: none"> Buying conditions (time available etc) Desired features and specifications of a product Usability <p>Choosing the segment that need to be targeted Prepare a marketing plan based on the product, sale price, promotion, delivery logistics etc.</p>	
24.	<p>Investment decisions under financial plan refers to the strategies with which the funds are wisely invested in various assets. A well planned and investigated investment decision can generate maximum income and thus contribute to maximum returns on all the investments. In the financial plan the investment decisions are documented under the proforma investment decisions section.</p> <p>Financial plan is a representation of critical financial data related to</p> <ol style="list-style-type: none"> The total possible funding required to establish the new enterprise Feasibility of the enterprise to become economically successful. 	2
25.	<p>Economic Ordering Quantity = $\sqrt{2/DP/C}$</p> <p>Where;</p> <p>2 is constant D = Annual demand= 24,000</p> <p>P = cost of placing the order = 3,000</p> <p>C = Inventory holding cost/ carrying cost = 144</p> <p>EOQ = 1000 Units</p> <p style="text-align: center;">OR</p> <ol style="list-style-type: none"> Total Current Assets = Debtors + Stock + Cash + Short term investment Total Current Assets = (Rs 75000 + Rs 50,000 + Rs 1,00000 + Rs 76,000) Total Current Assets = Rs 3,01,000 Total Current Liabilities = Sundry Creditors + Dividend Payable + Tax + Short Term loan) Total Current Liabilities = (Rs 32,000 + Rs 50,000 + Rs 44,000 + Rs 61,000) = Rs 1,87,000 Gross Working Capital = Total Current Assets Gross Working Capital = Total Current Assets = Rs 3,01,000 Net Working Capital = Total Current Assets – Total Current Liabilities 	2

	Net Working Capital = Rs 3,01,000 – Rs 1,87,000 = Rs 1,14,000	
26.	<p>(i) Rights issue: Rights issue is a method of raising additional finance from existing shareholders by issuing additional shares.</p> <p>(ii) Offer to the employees: Offering shares to the employees has gained much popularity in many countries of the world.</p>	2
27.	<p>Vipul is talking about business plan.</p> <p>It is required to understand the feasibility of the proposed venture. It is required to understand the viability of the proposed venture.</p>	3
28.	<p>Follow-up: Follow-up deals with the evaluation and appreciation of the work completed till now. It ensures that the errors or defects in the product or process are dispatched accordingly.</p> <p>Inspection: Inspection deals with the established standards to ensure that these standards are maintained in the materials or product or performance. Inspection ensures that there are separate laboratories or processes established to ensure that the product or service is within the prescribed quality standards.</p> <p>Shipping: Shipping deals with the delivery of the finished product or service to the consumer.</p> <p style="text-align: center;">OR</p> <ol style="list-style-type: none"> 1. Number of directors: Only two directors are required in case of a private company whereas a public company requires minimum three directors. 2. Issue of prospectus: A private company does not invite the public to subscribe to its share capital. Hence, it doesn't issue a prospectus. 3. Allotment of shares: Shares of a private company can easily be allotted without receiving a minimum subscription. However, before issuing the shares to the public at large, a public company must receive a minimum subscription. 4. Index of members: There is no compulsion for a (private company to maintain an index of members. However, it is necessary for a public company to maintain such an index. 	3

29.	<p>a) Product- He decided to name his product as 'Live Free'.</p> <p>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.</p> <p>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.</p> <p>d) Price- Its price was fixed at Rs. 260 per unit.</p>	3
30.	<p>Intellectual Property Rights are important to stimulate and promote research and development. If the inventions and ideas of individuals and organizations are not protected then the concerned people or organizations will not reap the benefits of their hard work.</p> <p>The types of intellectual property are listed below.</p> <ol style="list-style-type: none"> 1. Patents – It is used for protecting new inventions, ideas, or processes. Patent holders need to pay periodic government renewal fees. 2. Copyrights – It protects the ideas, examples would be written works, music, art, etc. 3. Trademarks – It is something that protects the symbols, colors, phrases, sounds, design etc. 4. Trade Secrets – It may be strategies, systems, formulas, or other confidential information of an organization that provides them a competitive advantage in the market. 5. Industrial design 	4
31.	<ol style="list-style-type: none"> 1. Start-ups gets a product which already carries a name in the market 2. Franchisors make franchises fully conversant with the product or service they have to offer. 3. Easy growth of start-ups due to less operating cost. 4. No clash between franchisors and franchisees, as their interest is same. <p style="text-align: center;">OR</p> <ol style="list-style-type: none"> a. Transfer of shares- Not possible b. Implied authority- Any partner can act on behalf of the firm c. Mutual agency-Partnership can be carried on by all the partners or any one of them for all. A partner is both an agent and a principal. d. Liability-Unlimited liability 	4

32.	Product	A	B	C	4
	Sales prices/unit	40	45	60	
	Variable cost/unit	25	30	20	
	Contribution	15	15	40	
	Sales mix	30%	30%	40%	
	Weighted avg contri.	4.5	4.5	16	
	Total weighted avg contribution = 25 BEP= 50,000/25 = 2,000 Product A= 2,000X 30%= 600 Product B= 2,000X 30%= 600 Product C= 2,000X 40%= 800 In rupees A= 600 X 40 = 24,000 B = 600 X 45 = 27,000 C = 800 X 60 = 48,000				
33.	Reasons for mergers and acquisitions 1. Synergy 2. Acquiring new technology 3. Improved profitability 4. Acquiring competency 5. Entry into new market 6. Access to funds 7. Tax benefits				6
34.	It is a distribution network through which the producer puts his products in the market and passes it to the actual users. This channel consists of: producers, consumers or users and the various middlemen like wholesalers, selling agents and retailers (dealers) who intervene between the producers and consumers. Considerations related to market are given below: a. Number of buyers: If the number of buyers is large then it is better to take the services of middlemen for the distribution of the goods. On the contrary, the distribution should be done by the manufacturer directly if the number of buyers is less. b. Types of buyers: Buyers can be of two types: General Buyers and Industrial Buyers. If the more buyers of the product belong to general				6

	<p>category then there can be more middlemen. But in case of industrial buyers there can be fewer middlemen.</p> <p>c. Buying habits: A manufacturer should take the services of middlemen if his/her financial position does not permit him/her to sell goods on credit to those consumers who are in the habit of purchasing goods on credit.</p> <p>d. Buying quantity: It is useful for the manufacturer to rely on the services of middlemen if the goods are bought in smaller quantity.</p> <p>e. Size of market: If the market area of the product is scattered fairly, then the producer must take the help of middlemen.</p> <p style="text-align: center;">OR</p> <p>Environment scanning</p> <p>The benefits of understanding the relevant environment of business are:</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. For Example, Volvo, the Swedish brand has 74% share in the luxury bus segment as it had entered India earlier.</p> <p>(ii) Formulation of strategies and policies: It helps in identifying threats and opportunities in the market. These can serve as the basis of formulation of strategies to counter threats and capitalise on 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 the right time.</p> <p>(iv) Better performance: Proper understanding of the various elements of the external environment is necessary to take timely action to deal with the 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 environment would help to sensitise the entrepreneur to the changing technology, competition, government policies and changing needs of the customers. E.g., changing trends in clothing.</p>	
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35.	<p>Features of venture capitalists</p> <ol style="list-style-type: none"> 1. Equity finance in new companies 2. Long term investment in growth oriented firm\ 3. Take high risk –return spectrum 4. It is a subset of private equity 5. Involve in the business after making investment 6. Provides skills and advisory services <p>They will disinvest the holdings either to promoter or in the market</p>	6
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