INDIAN SCHOOL MUSCAT

FINAL TERM EXAMINATION

NOVEMBER 2018

SET A

CLASS XII

Marking Scheme – Entrepreneurship [THEORY]

Q.NO.	Answers	Marks (with split up)
1	Elevator Pitch is a three minute summary of the business plan's executive to awaken the interest of potential funders, customers or strategic partners.	1
2	Business format franchise opportunity.	1
3	(see table below)	1

Brand Mark	Trade Mark
A brand mark is that part of a brand which can be recognized but cannot be vocalized i.e. non-utterable. It appears in the form of a symbol, design or distinct colour scheme.	A brand or part of a brand that is given legal protection against its use by other firms is called a trade mark. It is a legal term, protecting the seller's exclusive right to use the brand name/mark.

OR

Logo is important for a company as it provides an identifying symbol for a product or business by anchoring company's brand.

4 Ans: Inspection — 1

5 (a) Period (b) Horizon — ½ + ½

OR

Excess of Unit price over Unit cost is known as the unit gross profit.

6 Value Addition. — 1+1

Business adds values to goods and services by modifying them in a particular way to create a new product of greater value to customers.

7 — 1+1

(i) VAT/CST registration: If proprietorship is selling tangible goods within a state then VAT applies, if it is inter-state then CST applies.

(ii) Pan card no. of the sole proprietor, bank account no. in the name of sole proprietorship business, shop and establishment license have to be obtained.

OR

No, when Rohit sells his playstation to his friend, it is not a business activity, since to be a business activity regular dealings in sale or purchase are required.
Characteristics of business are:

(i) Entrepreneur's presence (ii) production or procurement of goods and services.

8	(a) Friendly acquisition: Both the companies approve of the acquisition under friendly terms. (b) Reverse acquisition: A private company takes over a public company. (c) Back flip acquisition: the purchasing company becomes subsidiary of the purchased company. (d) Hostile acquisition: The entire process is based on force. The smaller company says yes to the bigger company just buys off all its shares.	½ each = 2
9	(1) Advertisement-To increase sales by making business and product name familiar to the public. (2) Personal selling- It aims to convert needs into actual sales through oral presentation of message. (3) Sales promotion- To encourage the purchase or sale of product by giving short term incentives. (4) Public relation- To build good relation with stakeholders to create favorable publicity and good corporate image. **OR** Routing is a process concerned with determining exact route or path a product or service has to follow, right from raw material till its transformation into a finished product. Scheduling means fixation of time, date, day when each operation is to be commenced and completed. (1+1)	½ each
10	Skimming pricing. The cost of production and investing can be recovered quickly by this method	1+1
11	(a) Voluntary organization: it is a voluntary association of persons desirous of pursuing a common objective. They can come and leave the organization at their own will. (b) Democratic management: its management is vested in the hands of the managing committee elected by the members on the basis of one-member-one vote. (c) Service motive: Rendering services to its members rather than to earn profit as the primary objective is he feature that distinguishes a cooperative organization from the other forms of business	1+1+1
12	(i) It enables to know the exact amount of expenditure incurred on making a product and therefore an entrepreneur can add profit margin accordingly which helps in achieving the desired revenue for the firm. (ii) It is the simplest method to decide the price for a product. (iii)Since the company is using its own data for deciding cost which makes it easier for a company to evaluate the reason for change in expenses and therefore it can take corrective actions immediately. OR It is a pricing strategy where the price of a product is initially set at a price lower than the market price to attract new customers. (i) It establishes long term price expectations for the product. This makes it difficult to eventually raise prices. (ii) The low profit margins may not be sustainable long enough for the strategy to be effective.	1+1+1

13 (i) Identifying objectives: Relationship management centers on items like attracting and retaining employees. Common measures of the effectiveness of these relationships include time to hire, turnover and employee satisfaction. 1+1+1

(ii) Balancing work and life needs: Effective employee management requires consideration of the whole employee. That means taking steps to ensure that employee's work life needs are well balanced.

(iii) Open and honest communication: managers must be committed to communicating regularly and honestly with employees about the issues that impact their work.

(iv) Determining employees needs

(v) Measuring and monitoring results

Relationships are interpersonal (Any three points)

14 EOQ = Root of 2x30, 000x15/0.40 = 1,500 units. 3

15 Synergy is the difference between the value of the combined firm and the value of the sum of participants in a merger. It occurs in the form of revenue enhancement and cost savings. 1+1+1

It can take place in the following forms:

(i) Operating synergy: It refers to cost saving that come through economies of scale or increased sales and profit.

(ii) Financial Synergy: It is the result of financial factors such as lower taxes, higher debt capacity or better use of idle cash

16 (i) Order Lead Time: it refers to how frequently the material is withdrawn from stores over a period of time. If order lead time is big then large inventory is maintained. 1+1+1

(ii) Usage Rate: if refers to how frequently the material is withdrawn from stores over a period of time. If usage rate is more then also inventory should be maintained in large quantity.

(iii) Reorder Point: It is the time when new order must be placed so that the inventory level is maintained and stock level does not reach to zero.

Reorder Point=Usage Rate x Lead Time.

17 An Variable cost per unit = Total variable cost/No. of units produced 1+1+1

=1,00,000/100 = Rs.1000

Total Cost = 1,00,000 + 75,000 = Rs.1,75,000

Break-Even = Fixed cost/selling price per unit-variable cost per unit =

75,000/2500-1000 = 50 units.

18 (i) Business Plan 1+3

Importance of business Plan: (a) A business plan helps in determining the viability of the venture in the designated market. (b) It guides the entrepreneur in planning his activities such as identifying the resources required, obtaining licenses, if required etc. (c) It helps in satisfying the concerns, queries, and issues of each group of people interested in the venture

19 (i) Quality added value: It is basically adding convenience, ease of use, or other desirable characteristics that customer's value. 1+1+1+1

(ii) Environmental added value: It advocates the use of such methods of production that are environmental friendly.

(iii) Cause related added value: it advocates the contribution of a part of business revenues for a socially desirable cause.
(iv) Cultural added value: It advocates those methods of production that are sensitive to the needs of the cultural groups.

20 Financial Management means planning, organizing, directing, and controlling the financial activities. It is an activity which is concerned with acquisition and conservation of capital funds in meeting the financial needs. It means applying general management principles towards financial resources for the enterprises. 1+3 = 4

The main objectives are:

(i) Wealth maximization of shareholders
(ii) To ensure regular and adequate supply of funds to the concern
(iii) To ensure adequate returns to the shareholders

To ensure optimum fund utilization

OR

Budget means allocation of resources.

(i) Operational Budget: It forecasts and tries to predict yearly revenue and expenses for a business. This budget can be updated with actual figures on a monthly basis and then can be revised for the year.
(ii) Cash flow budget: It details the amount of cash collected and paid out. This is generally tallied on a monthly basis.
(iii) Capital budget: this budget helps to figure out how much money is needed to place new equipment or procedures to launch new product or increase production or service.

21 (i) Only two members are required to form a private company. 1x4 - 4
(ii) Only two directors are required to constitute the quorum to validate the proceedings of the meetings.
(iii) It can commence its business immediately after incorporation
(iv) Maintaining of index of members is not required by a private company
(v) Directors of the private company need not have qualification shares

22 ROI=Net Profit after tax/Total investmentx100 = 26,46,000/20,00,000x100 = 132.3% 6

ROE=Net profit after tax/Equityx100 = 26,46,000/8,00,000x100=330.7% (annual basis)

23 Channels of distribution are the firms or individuals which help in transferring the goods from place of manufacturing to the place of consumption. 1+5 =6

Considerations related to market are:

(i) 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.
(ii) Type of buyers: buyers can be of two types. General buyers and industrial buyers. If more buyers of the product belong to the general category then there can be more middlemen. But in case of industrial buyers there can be fewer middlemen.

(iii)Buying habits: a manufacturer should take the service of middlemen if his financial position does not permit him to sell goods on credit to those consumers who are in the habit of purchasing goods on credit.

(iv)Buying quantity: it is useful for the manufacturer to rely on the services of middlemen if the goods are bought in smaller quantity.

(v) Size of market: if the market area of the product is scattered fairly, then the product must take the help of middlemen.

24 **i) Small size of XYZ Company:** Smaller companies are relatively easy to acquire. Even the shareholders of these companies do not resist takeovers in anticipation of the stock of a larger company. 3+3=6

(i) Specific assets: XYZ Company may have specific assets in the form customer base, employees, intellectual property, that ABC Company can get through takeover.

(ii) Increased Market share: The market share of ABC Company will increase after takeover. This might also be one of the reasons for takeover.

Types of Mergers:

(1)Horizontal mergers: this merger occurs between companies in the same industry. The goal of horizontal merger is to create a new larger organization with more market share.

(2)Vertical Merger: A merger between two companies producing different goods or services for one finished product.

(3)Market extension mergers: It takes place between companies that deal in the same product but in separate markets.

(4)Product extension mergers: it takes place between two different organizations that deal in products which are related to each other and operate in the same market.

(5)Conglomerate mergers: the firms which are involved in totally unrelated business activities. (Any Three)

OR

(i) Acquiring new Technology: to remain competitive, companies need to constantly upgrade their technology and business applications. By buying another company with unique technology, the buying company can maintain or develop a competitive edge.

(ii) Improved profitability: companies explore the possibilities of a merger when they anticipate that it will improve their profitability.

(iii)Acquiring a competency: Companies opt for mergers and acquisitions to acquire a competency or capability that they do not have and which the other firms have.

(iv) Entry into new markets: mergers are often looked upon as a tool for hassle-free entry into new markets. Through mergers one can enter the market with greater ease and avoid too much competition.

(v) Access to funds: Often companies find it difficult to access funds from capital market. In such a case company may decide to merge with another company which is fund-rich.

(vi) Tax benefits: By merging with a loss making entity, a company with high tax liability can set off the accumulated losses of the target against its profit gaining tax benefits. (1x6)