INDIAN SCHOOL MUSCAT

FINAL TERM EXAMINATION

NOVEMBER 2018

SET C

CLASS XII

Marking Scheme –ENTREPRENEURSHIP [THEORY]

Q.NO.	Answers	Marks (with split up)
1	Internal operational plan	1
2	A market extension merger.	1
3	It is the length of time between a firm's purchase of inventory and the receipt of cash from accounts receivable. OR The key aspects of financial decision making are investment, financing and dividends.	1
4	Logo is an identifying symbol, design, mark for a product or business which stands associated with the entrepreneur's offering.	1
5	The component of financial plan discussed above is 'Break-Even Point. OR Marketing Plan.	1
6	Value Addition. Business adds values to goods and services by modifying them in a particular way to create a new product of greater value to customers.	1+1
7	(i) Contract explanation: it outlines the type of relationship between the franchise and franchisor. (ii) Operations manual: it is the section of the agreement that details the guidelines that the franchisee must legally follow while operating a business. (iii)Proprietary statements: It outlines how franchise name is to be used and also the marketing and advertising procedures to be followed by the franchisee. (iv)Ongoing site maintenance: it states the types and time frames regarding various maintenance items and upgrades that must be made to the franchisee's location. OR Product franchise business opportunity Manufacturing franchise opportunity Business franchise opportunity ventures Business format franchise opportunity.	½ each
8	Coupons: In this seller offers a discount coupon on the purchase of specified product. Demonstrations, samplings and celebrity appearances. On-pack offers, multi packs and bonuses. Seminars & workshops.	½ each

9	Penetration pricing. Advantages: High turnover (2) suitable for a new product (3) quick rise in sales. (Any two) OR Skimming pricing. The cost of production and investing can be recovered quickly by this method	½ each
10	Ans: Private Limited Company Unlimited liability of Partners and Limited resources.	1+1
11	Since the company is using its own data for deciding cost which makes it easie An Variable cost per unit = Total variable cost/No. of units produced =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.	1+1+1
12	(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. (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) OR It entails all aspects of interaction that a company has with its customers, whether it is sales or service related. It is the process of carefully managing detailed information about individual customers in order to manage loyalty. Benefits: (i) All business data is stored And accessed from a singly location.it gives management and employees immediate access to the most recent data when they need it. (ii) A 360 degree view of all customer information and knowledge of what customers and the general market wants.	1+1+1
13	EOQ = $\sqrt{}$ 2x30, 000x15/0.40 = 1,500 units.	1+1+1
14	(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. (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.	3
15	Coordination and collaboration: to increase efficiency within an organization, coordination and collaboration is essential. Utilize the theory that the whole is greater than the sum of its by collaborating with other groups and individuals to achieve a common goal. Technology Investment: It plays a major role in manufacturing and distribution. With outdated technology an organization's competitiveness is weakened due to a loss in productivity. Leadership: Strong leaders are crucial to the success in value chain management. (Any other relevant points)	1+1+1
16	Company.	1+1+1

	(i) Voluntary association: A single person cannot constitute a company. At least two persons, voluntarily, must join hands to form a private company, while a minimum of seven persons are required for a public company. (ii) Artificial Person: A company is created by Law. Though it has no body and no conscience, it still exists as a person, having a distinct personality of its own. (iii)Limited liability (iv) common seal (v) separate legal entity (Any two)	
17	Patents: it grants an inventor the right to exclude others from making, using, selling, offering to sell and importing an invention for a limited period of time, in exchange for public disclosure of the invention. Copy right: it gives the creator of original work exclusive right to it for a limited period of time. Trade mark: It is a recognizable sign, design or expression which distinguished products or services of a particular trade from the similar products or services of other traders.	1+1+1
18	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. 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	1+3
19	(i) Routing: It is a process concerned with determining exact route or path a product/service has to follow right from raw material till its transformation in to finished goods. (ii) Scheduling: It means fixation of time, day date when each operation is to be commenced and completed. It is the determination of time that should be required to perform each operation. (iii)Inspection: It is the art of comparing materials, products or performance with established standards. (iv)Shipping: It describes the flow of goods /services from production to the consumer. It is a detailed presentation by the entrepreneur explaining the chronological steps in completing a business transaction efficiently and profitably.	1+1+1+1
20	(i) Quality added value: It is basically adding convenience, ease of use, or other desirable characteristics that customer's value. (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. OR Advantages: (i) Established brand: The franchisee gets the right to use the established brand name or trade mark to get an easy start. (ii) cost Advantage: the advertisement place by Franchisor at national and international level, saves advertising cost of franchisee to increase his sales. Disadvantages: (i) The franchisee loses the freedom to innovate the business as they have to work under the control of franchisor. (ii) The franchisee has to pay huge amount of license fee in the form of royalty which is	1+3 = 4

	non-refundable.		
21	(1) Business Plan 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		1x4 - 4
22	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. **(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.	3+3=6	6

	(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.	
23	ROI=Net Profit after tax/Total investmentx100 = 1,70,624/1,50,000 x 100 =113.74% ROE=Net profit after tax/Equityx100 = 1,70,624/70,000x100=243.74% (annual basis)	1+5 =6
24	Channels of distribution are the firms or individuals which help in transferring the goods from place of manufacturing to the place of consumption. 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.	