

FIRST TERM EXAMINATION

MAY 2018

CLASS XII

SET 2

Marking Scheme – ENTREPRENEURSHIP

Q.NO.	Answers	Marks
1	Careful monitoring of an organization's internal and external environment for detecting early signs of opportunities and threats that may influence its external and future plans.	1
2	Excise duty is a tax on manufacture or production of goods, whereas customs duty is a type of indirect tax levied on import and export of goods and services.	1
3	(a) Ecological Environment (b) Social environment.	
4	(i) Every manufacturer of dutiable excise goods (ii) Persons holding bonded warehouses for storing non-duty paid goods.	1
5	Form Utility, Place utility.	1
6	No because Rajeev entered into a verbal agreement. He didn't register his firm as per the partnership Act, He cannot file a suit in any court against the firm other partners for the arising from a contract or right conferred by the Partnership Act.	2
7	Business opportunity (i) Assured market scope (ii) An attractive and acceptable rate of return on investment. (iii)Practicability of the idea. (iv)Potential of future growth.(Any two)	1+1=2
8	(i) Venture is a heavy and basic industry type (ii) Large scale operations are involved (iii) Business requires huge funds (iv) enterprise involves heavy risks (v) Enterprise is technologically complex and sophisticated	2
9	In order to start a sole proprietorship an entrepreneur requires certain industry specific licenses Service tax registration: Form ST1 is to be filled for registration if the taxable services are more than 10 lakh for a financial year.	1+1=2
10	No, when Rohit sells his playstation to his friend, it is not business activity, since to be a	1+1=2

business activity regular dealing in sale or purchase are required.

Characteristics of business are:

(i) Entrepreneur's presence : There has to be someone who takes the initiative for establishing the business and assumes the risks associated with it.

(ii) Production or procurement of goods and services : A business activity is one which either produces or procures goods and services for offering it to consumers.

- 11 (i) Raghav is engaged in employment. 1+2=3
(ii) Other economic activities are :
Business: All activities performed in the areas of production and distribution of goods and services for the purpose of monetary gains are termed as business.
Profession: Profession is that occupation in which one professes to have acquired specialized knowledge, which is used either in instructing, guiding or advising others.
- 12 (i) Capital: It can be form of ancestral property or assets gifted by family and friends or received by the HUF through a will. 1x3=3
(ii) Form a deed: Formation of HUF is through a legal deed or agreement. It specifies the name of Karta, coparceners, address and source of funds in the corpus.
(iii) Apply for PAN: After executing a deed, the Karta is required to obtain a Permanent Account Number (PAN) for the HUF .PAN is a mandatory requirement for the formation of HUF as all the financial transactions shall carry PAN.
(iv) Suitable name
(v) Members.
(vi) Open a bank account.
(vii) Others.
- 13 (i) **Demand:** The demand for a product or service will be assessed on the basis of the size of market targeted, study of the target groups of consumers, their preferences, tastes and other related variables. 1x3=3

(ii) **Supply and nature of competition:** Supply position means the complete picture of quantities of the product made available in the market by all the existing suppliers. It should also take into account future supplies from possible entrants in the field.

(iii) **Cost and price of the product:** It is important to determine the cost of the product and its comparison with available products in the market.
- 14 1. **Democratic management:** The management of a co-operative organisation is vested in the hands of the managing committee elected by the members on the basis of 'one member-one vote'. Democracy is, thus, the keynote of the management of a cooperative society. 1x3=3
2. **Capital and return thereon:** The capital is procured from its members in the form of share capital. A member can subscribe subject to a maximum of 10% of the total share capital or Rs. 1,000 whichever is higher. Shares cannot be transferred but surrendered to

the organisation. The rate of dividends paid to the members/shareholders is restricted to 9% as per the Co-operative Societies Act, 1912.

3. Distribution of surplus: After giving dividends to the members, the surplus of profits, if any, is distributed among the members on the basis of goods purchased by each member from the society. Entrepreneur does not find this form as a very desirable structure to start a new venture because of his / her:

- 15 TAN is a 10 digit alpha numeric number required to be obtained by all persons who are responsible for deducting or collecting tax. 1+2=3
All those persons who are required to deduct tax at source or collect tax at source on behalf of Income Tax Department are required to apply for and obtain TAN.
- 16 **i) A pitch deck with oral narrative :** A hopeful, entertaining slide show and oral narrative that is meant to trigger discussion and interest potential investors in reading the written presentation, i.e. the executive summary and a few key graphs showing financial trends and key decision making benchmark. 1+2=3
ii) (a) Elevator pitch: It is a three minute summary of the business plan's executive summary.
This is often used as a teaser to awaken the interest of potential funders, customers, or strategic partners.
(b) A written presentation for external stakeholders: A detailed, well written, and pleasingly formatted plan targeted at external stakeholders.
(c) An internal operational plan: A detailed plan describing planning details that are needed by management but may not be of interest to external stakeholders.(Any two)
- 17 **1. Read trends:** They regularly read the leading publications and websites affecting their business. This could include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers. They use websites and forums to keep on top out of all and get the information they want. They understand quickly which sources are valuable and which should be avoided. 3
2. Talk trends: Talking to people is an equally important trend-spotting tactic. They get involved in specific industry's trade association and attending events both online and offline. They also take advantage of social networking tools like social network websites and forums.
3. Watch trends: There's no substitute for getting out in the marketplace. They make it a point to regularly go where their target customers hang out. If the customers are teenagers, that might be the local mall. If they are business people, it might be the region's "power lunch" restaurant or office park restaurant centre.
4. Think trends As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind." As they absorb and mull about what they've read, heard and observed, they'll start to make connections and observations that will lead to business-boosting insights.
- 18 **1) Sole proprietorship** 1+3=4
2) Individual ownership: This business is exclusively owned by a single person.
3) Individual management and control: "What is to be done, how it is to be done, and

when it is to be done - all affairs are managed and controlled by the sole proprietor. Though, competent people can also be employed for efficient management.

- 4) **Individual financing:** All investment is made by the proprietor. Though, if required he/she has access to loans and debts to procure funds for business.
- 5) **No separate legal entity:** Legally, the proprietor and proprietorship are one and the same business and owner exists together, thus with owner's death, business too dies.
- 6) **Unlimited liability:** The proprietor is liable/responsible for all losses arising from business. In case the business assets are insufficient to pay off liabilities, his/her personal property can be called upon to pay his business debts.
- 7) **Sole beneficiary:** The sole proprietor alone is entitled to all the profits and losses of business. So he/she puts his/her heart and soul to increase his/her profits.

(Any three)

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1. **Product identification:** An idea should lead the entrepreneur to a definite product/service which he can sell. So the first step is to obtain a concept of the product or service suggested by one idea. We should also see whether this product is already available in the market or not. If it is, then we should identify the reason for introducing the same product or service in the market. 1x4=4
 2. **Application and use:** Ideas should be examined for their real life use and application. If it already exists in the market, we will have to find out its present use, then we may think of modifying it for better use. In the above mentioned example, we can clearly see that even though there are many companies manufacturing pendrives, the latest will be in consonance with the upcoming trends.
 3. **Level of operation:** This is a crucial test for product/service identification. Depending on the use of the product/service the entrepreneur will produce it in a cottage industry or a small scale- industry or a large-scale industry.
 4. **Cost:** What is the per unit cost of the product at particular level of operation? Whether this cost is comparable with that of other competitive products? These are some of the questions that have to be answered. This will ultimately decide the sale price.

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- A *problem* is a roadblock in a situation, something that sets up a conflict and forces you to find a solution. When an entrepreneur identifies such a road block, he/she is said to have identified the problem. 1+3=4

Objectives of problem identification:

- a) It should clearly state the problem
- b) Identify target group facing the problem
- c) Find the market acceptability of the solution to the problem

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- (a) Public Limited Company 1+3=4
 - (b) Will have to issue prospectus and statement in lieu of prospectus which was not required, if it is a private company.
Unlike private limited company, it would have to hold a statutory meeting and file a statutory report.

© Two benefits enjoyed by a public ltd company are:

- (i) Access to substantial capital

(ii) Ease of buying and selling of shares for shareholders.

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The creative process:

1+5=6

The process of creativity involves five steps: 1. Idea germination, 2. Preparation, 3. Incubation, 4. Illumination and 5. Verification

- **Idea germination:** This is the seeding stage of a new idea. It is the stage where the entrepreneur recognises that an opportunity exists. The idea germination takes place according to interest, curiosity of the entrepreneur according to which opportunity is explored and exploited to its best potential. Creative idea germinates besides the interest, the need of a specific problem or area of study.

Like Mansukhbhai Prajapati, who thought of a non-stick pan made from clay and a clay refrigerator that works without electricity. He wanted to explore the idea of making the refrigerator which will be eco-friendly. He conceived this idea in 2001, but the final product could take shape only in 2004.

- **Preparation:** On the basis of the idea, interest and curiosity the need is adjudged by the entrepreneur and he starts looking for the answer to implement the idea. If the idea is to launch a new product or service then market research is conducted. That happens because the seed of curiosity has taken form of an idea, the entrepreneurs foresee the future of the product.

In the aforesaid story of Mansukhbhai since his wife could not afford to buy a non-stick TAVA (pan). Mansukhbhai's brain stormed immediately that, like his wife there must be thousands of homemakers who would need a non-stick-TAVA. And the idea of clay fridge was considered equally strong and he decided to go ahead.

- **Incubation:** This is the subconscious assimilation of information. This is the transition period. The entrepreneur starts thinking about the idea and implementation in his sub-conscious mind. Mansukhbhai went through the process of studying the pros and cons of manufacturing the product before he had launched it.
- **Illumination:** In this period of illumination the idea re-surfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea. In this case of Mansukhbhai it was important to have enough of funds in hand to buy and keep in store enough raw-material.
- **Verification:** Also called the 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 as obstacles begin to appear.

This is the developing stage in which knowledge is developed into application. In this case, when the fridge was developed acceptance in the market for such a product was a big obstacle

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Business plan

1+5=6

a) helps in determining the viability of the venture in a designated market
b) helps in providing guidance to the entrepreneur in organizing his/her planning activities as such:

- i) identifying the resources required
- ii) enabling obtaining of licenses if required etc.
- iii) working out with legal requirements as desired by the government.

c) helps in satisfying the concerns, queries, and issues of each group of people interested in

the venture.

d) provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles.

e) though not desirable, at times, business plan helps to realize the obstacles which cannot be avoided or overcome, suggesting to terminate the venture while still on paper without investing further time and money.

f) as the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution, it is the business plan which reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.

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- (a) Natural resources 1+5=6
- (b) Diagram- Enterprise creative process
- (c) Existing products: A great business idea combines skills with imagination and market demand. Entrepreneurs who look at ways to make an existing product or service better can be as successful as those who create and invent products.
- (d) Market or demand driven ideas. It is an organized effort to gather information about target markets or customers. Marketing research is a good source of generating ideas, as it gives information regarding market needs, market size and competition.
- (e) Trading related ideas: with increasing consumerism the scope and nature of trade has enlarged: local trade, import and export, e-commerce are all making trading a very wide area of enterprise