

## INDIAN SCHOOL MUSCAT

### SAMPLE PAPER-5 SOLVED

#### ENTREPRENEURSHIP (066)

1	<p>What is required to convert an idea into an opportunity?</p> <p>A strategic positioning which involves knowledge, skill, competencies and creative thinking.</p>	1
2	<p>Mr. Hemant is involved in production and sale of 'Masala Mix Powder' within his own state. Now he wants to expand his business by introducing his product in the neighboring states also. Name the necessary tax registration required for this interstate transfer of goods.</p> <p>Central Sales Tax registration (CST)</p>	1
3	<p>What do financial intermediaries mean?</p> <p>The role of transferring financial resources from surplus units to the deficit units.</p>	1
4	<p>Define goal setting.</p> <p>Establishing short term and long term objectives, usually incorporating deadlines and quantifiable measures.</p>	1
5	<p>How is vertical 'merger' different from horizontal merger?</p> <p>Vertical merger is merger between two firms producing different goods and services for one specific finished good. Horizontal merger is merger between companies in the same industry.</p>	1
6	<p>Name the factors involved in sensing opportunities.</p> <p>Ability to perceive and preserve basic ideas which could be used commercially</p>	2

	<p>Ability to harness different sources of information</p> <p>Vision and creativity.</p>	
7	<p>State any four situations in which sole proprietorship is suitable.</p> <p>When capital required is limited</p> <p>When Confidentiality is important</p> <p>Market is local</p> <p>Goods are artistic in nature</p> <p>Quick decision making is needed</p> <p>Size of the venture is small</p>	2
8	<p>Aldi product Ltd. has encouraged the consumers through its Aldi's Face Book and Twitter pages. These social media pages provided a platform through which Aldi can interact with consumers. It accesses their opinion about their bands and created Aldi advocates who recommend Aldi to others. Explain which method of promotion strategy Aldi Product Company has used in this case.</p> <p>Above The Line promotion strategy. Large audience-Print, online etc.</p>	2
9	<p>How does franchising help start-ups?</p> <p>Product already carries a name in the market-Franchisor makes franchisee fully conversant with product or service-start ups can grow fast because normally buyers straight walk up to them-Both are all out open to help each other.</p>	2
10	<p>An electronic shop sells 6000 water heaters per year. The demand is uniform throughout the year. Purchase cost per water heater is Rs120. Holding cost per annum is 20% of purchase cost. Ordering cost is Rs.500 per order. Calculate 'Economic Order Quantity'.</p>	2

	$EOQ = \sqrt{2PD/C}$ $= \sqrt{2 \times 500 \times 600 / 24} =$	
11	<p>Mr. Bhargav wanted to manufacture an innovative, energy efficient fan. He was looking into various options and finally narrowed down into one option. He understands that the entire idea would have to follow a process. Identify and explain the process.</p> <p>Process of examination-evaluation-analysis-synthesis to identify viable opportunities.</p>	3
12	<p>Mr. Salman has decided to start a small leather belt manufacturing unit. He is not aware about the various formalities involved in this process of setting up of a production unit. Explain to him the procedure.</p> <p>Salman can start a sole proprietorship. It needs some industry specific licenses such as Business name-Service tax registration-VAT/CST registration- Pan card no. bank account number etc-State and Federal tax requirements.</p>	3
13	<p>Sony is failing to understand the changing trends in the mobile phones. The company is unable to understand and adapt the relevant environment of business and therefore losing its market share. What are the benefits of understanding the business environment?</p> <p>To get first mover advantage</p> <p>Formulation of strategies and policies</p> <p>Tapping useful resources</p> <p>Better performance</p> <p>Sensitization of entrepreneurs to cope up rapid changes.</p> <p>Image building.</p>	3
14	What are the major rules involved in goal setting?	3

	Business goals need to be relevant-need to be actionable-need to be achievable (with expln.)	
15	<p>Arvind is a small dairy farmer and involved mainly in the distribution of milk to the household in the locality of his village. He is thinking about value addition in his business and seeks your advice. Advise him what value addition is, and the different ways in which he can add value in his product.</p> <p>Adding value to goods and services by modifying them in a particular way to create new product of greater value to customers.</p> <p>Quality added value-environmental added value-cause-related added value-cultural added value etc.</p>	3
16	<p>How are the following calculated?</p> <p>a. Unit price per customer = Total Billed amount/Number of customers</p> <p>b. Unit cost per product = Total Sales / Number of units sold</p> <p>c. Gross profit = Selling price per unit – cost price per unit.</p>	3
17	<p>Why is cash flow projection necessary for a firm?</p> <p>To manage its affairs in an efficient manner-to pay its suppliers as per agreed terms-to pay the employees their wages on stipulated dates- to pay government levies-to procure services and pay for them-to collect the due in timely manner- to avoid the lag between spending on raw materials and receiving sales revenue – to meet the requirements of expanding business.</p>	3
18	<p>Why is private company more desirable compared to a public company?</p> <p>Only two members are required to form a private company</p>	4

	<p>Only two directors are required to constitute quorum to validate the proceedings</p> <p>Company can file a statement in lieu of prospectus with registrar of the company</p> <p>Commence its business immediately after registration</p> <p>A non member cannot scrutinize the copies of Profit and Loss account</p> <p>No limit on payment of managerial remuneration</p> <p>No restrictions on appointment or reappointment of managing director</p> <p>Maintaining of index of members is not required</p> <p>Directors need not have qualification shares</p>	
19	<p>‘Almonds Footwear Ltd.’ has introduced a range of new products in to the market. The company has to decide about the possible channels of distribution. What are the possible channels of distribution available to the firm? Which one would you suggest and why?</p> <p>Producer customer-Producer retailer customer-Producer wholesaler retailer customer-Producer agent wholesaler retailer customer. (Explain any one)</p>	4
20	<p>‘Goli Vada Pav’ was a humble street-food seller started in 2004. It was a quick serve food concept with authentic Indian touch. The promoters realized a huge scope of business in tapping adult and lower income customers. The product is pocket friendly and prepared and served in extremely hygienic condition. The success of the business prompted them for selling their product through retail outlet. It has successfully branded the traditional street food and offers wide assortment of items to varied taste buds and preferences of the customers. The company is now thinking to strengthen and expand its business in India through Franchising. What are the different franchising opportunities available to Goli Vada Pav? Explain.</p>	4

	Product franchise business opportunity-manufacturing franchise opportunity-Business franchise opportunity venture-Business format franchise opportunity. With brief explanation.																																	
21	<p>What does break even quantity mean? Calculate breakeven quantity of the firm which produces three products A, B and C from the following information. Consider Fixed Cost as Rs.40,000/-</p> <table><tr><td>PRODUCT</td><td>A</td><td>B</td><td>C</td></tr><tr><td>Sales price per unit</td><td>10</td><td>20</td><td>30</td></tr><tr><td>Variable cost per unit</td><td>5</td><td>15</td><td>20</td></tr><tr><td>Sales Mix Percentage</td><td>20%</td><td>30%</td><td>50%</td></tr><tr><td>Contribution margin per unit</td><td>10-5=5</td><td>20-15=5</td><td>30-20=10</td></tr></table> <p>Weighted average</p> <table><tr><td>contribution margin</td><td>5x20/100= 1</td><td>5 x 30/100= 1.5</td><td>10 x 50/100= 5</td></tr></table> <p>Sum of weighted average</p> <p>Contribution margin 1+1.5+5=7.5</p> <p>Break even point in units of sales mix= Fixed cost / contribution margin= 40000/7.5=5333 units</p> <table><tr><td>Breakeven point of A</td><td>5333x20/100 = 1066</td></tr><tr><td>B</td><td>5333x30/100 = 1600</td></tr><tr><td>C</td><td>5333 x 50/100 = 2667</td></tr><tr><td>Total</td><td>= 5333</td></tr></table>	PRODUCT	A	B	C	Sales price per unit	10	20	30	Variable cost per unit	5	15	20	Sales Mix Percentage	20%	30%	50%	Contribution margin per unit	10-5=5	20-15=5	30-20=10	contribution margin	5x20/100= 1	5 x 30/100= 1.5	10 x 50/100= 5	Breakeven point of A	5333x20/100 = 1066	B	5333x30/100 = 1600	C	5333 x 50/100 = 2667	Total	= 5333	4
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22	What do you mean by trend spotting? Explain the different ways in which an	6																																

	<p>entrepreneur spots trends.</p> <p>Means identification of trends of market.</p> <p>Read trends-Talk trends- Watch trends- Think trends. (Explain each.)</p>	
23	<p>Explain the major items or components that must be included in a financial plan.</p> <ol style="list-style-type: none"> <li>1. Proforma of investment schemes- How enterprise fund are invested in different assets for maximum return. Investment on land, building, machinery, instellation, working cpital research etc</li> <li>2. Proforma of financing decisions- cost of capital, ROI, profitability, owners fund, borrowed fund etc</li> <li>3. Proforma income statement-market research, Industry sales, surveys of buyers intension, expert opinions, and financial data on startups. Experience of others etc</li> </ol> <p>Proforma cash flow-Projected available cash,projected cash disbursement</p> <p>Proforma balance sheet-Summery of assets and liability</p> <p>Break-even analysis-minimum of output to be produced, level of volume of production at which firm makes no profit or no loss. <math>TC=TR</math></p> <p>Economic and social variable- the cost of controlling environmental damage, employment generation, import substitution, local resource utilization, development of areas etc</p>	6
24	<p>An entrepreneur decided to raise required capital from the primary market. Explain the different methods through which he can raise the needed capital.</p> <p>Primary market facilitates transfer of resources from savers to the entrepreneurs. It is</p>	6

	<p>also called new issue market.</p> <p>Public issue, Right issue, Private placement, Offers to employees.</p>	
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