



INDIAN SCHOOL MUSCAT

CLASS XII ENTREPRENEURSHIP SAMPLE PAPER (SOLVED)

1.	<p>Define Marketing Strategy.</p> <p>“A process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage”.</p> <p>OR</p> <p>It means a comprehensive plan to facilitate and promote exchange of goods and services.</p>	1
2	<p>Rahul wants to start an amusement park near Vishakhapatnam. This will require an investment of Rs.50 lakhs. Name the financial institution which Rahul should approach for financing this venture.</p> <p>Tourism Financial Corporation of India.</p>	1
3	<p>Balwant Singh of Bikaner thought of air-conditioned houses which do not require electricity. He wanted to explore the idea of construction of such eco-friendly houses which will remain cool in summers and warm in winters. He conceived the idea in 2010 but the final product could take the shape in 2014. Name the stage in ‘The Creative Process’ described in the above lines.</p> <p>Verification Stage. In this stage the idea or plan is translated into useful application which has value.</p>	1
4	<p>Define co-operative organization.</p> <p>Co-operative organization is a voluntary association of a group of persons to carry on business with the main purpose of providing service to its members.</p>	1
5	<p>Name the two things that are taken care in a reorder point.</p> <p>Lead Time and Demand during lead time.</p>	1
6	<p>Discuss any two fields of ideas with suitable examples.</p> <p>(i) Existing products or services: There is constant and consistent effort on the part of all entrepreneurs to improve the products and services already existing in the market. Eg: Black & White TV to Colour TV</p> <p>(ii) Trading related ideas: with the opening of the market for international companies, its being taken as a challenge by entrepreneurs to show their skills in generating new ideas in the field of trading. Import, export, e-commerce etc.</p>	2

	(iii) Service related ideas: Food related & non-food related services.	
7	<p>Saksham and Pratham were partners in taxi business. Their business was doing very well. They thought of expanding but they also wanted to reduce personal risk. They wanted to protect their own possessions from business creditors in event of failure, so they thought of changing the form of business where their liability will be limited. For this, they wanted to sell shares to friends, family and some employees.</p> <p>(i) Identify the new form of business to be adopted (ii) State two demerits of partnership firm. (i) Public Limited Companies. (ii) Unlimited Liability, Possibility of conflicts.(Any other valid points)</p>	2
8	<p>How can you say that trade fairs and exhibitions are a good way of spotting trends?</p> <p>National & International fairs are a very good source of spotting trend, as at these fairs producers & dealers in the concerned industry put up their products for display and or for sale. A visit to these fairs provides information about new products etc. Thus assessment of market trends in terms of demand potential and type of products is facilitated at these fairs and exhibitions.</p>	2
9	<p>The Apple iPhone, a smart phone was launched by Apple in January 2007 in North America and when it went on sale it quickly sold out. It has launched the sixth generation phone in 2012. The latest is iphone7. Apple has been doing continuous research and development to attain this position. It has invested a lot into R&D. it prices its latest phone quite high. Which pricing strategy is being followed by Apple? Give reason.</p> <p>Skimming Pricing Strategy is followed by Apple, since it is pricing it high to recover its investment on Research and Development.</p>	2
10	<p>Specialized Financial Institutions are an important source of finance for certain industrial units. Name any two such units.</p> <p>Specialized Financial Institutions are an important source of medium and long term finance to the following units:</p> <p>(i) Small & Medium sized concerns (ii) New concerns set up by new entrepreneurial group.</p>	2
11	<p>Deepak and Gaurav joined the prestigious law university in Ahmadabad in the year 2010. During the course of study they became good friends and they both realized that their common interests lies in the field of corporate law, after completion of their degree they decided to start a firm of their own, namely 'Corp Law Firm' wherein both of them will be co-owners dividing the profit and loss. After successfully running the firm for a year, they realized that there are certain rights which are denied to their firm as it is not registered.</p> <p>Explain the consequences of non-registration of their firm.</p>	3

	<p>In partnership, registration is not compulsory but if a partnership is not registered it suffers from the following consequences:</p> <ul style="list-style-type: none"> (i) A partner cannot file a suit in any court against the firm or other partners for the enforcement of any right arising from a contract or a right conferred by the Partnership Act. (ii) A right arising from a contract cannot be enforced in any court by or on behalf of firm against any third part. (iii) A firm or any of its partners cannot claim in a dispute with third party. 																																																				
12	<p>Explain the meaning of CRM. Why it is essential for a business?</p> <p>Customer Relation Management is the process of managing carefully detailed information about individual customers in order to manage loyalty. It enables a business to:</p> <ul style="list-style-type: none"> (i) Attract new customers and retain customers through better customer experience. (ii) Understand the customer (iii) Increase profitability. 	3																																																			
	<p>Aditi started a beauty parlor business. She spend Rs.30, 00,000/- to open the parlour of which she invested Rs.14, 00,000/- of her own money and borrowed a loan for Rs.16, 00,000/-. Interest rate per annum is 14%. Sales revenue per month is Rs.1, 60,000/-. Cost of goods sold is Rs.60, 000/-per month. Fixed expenses for that month is Rs.60,000/-(Salary Rs.40,000/-rent and utility Rs.20,000) depreciation Rs.30,000/-and tax @ 15%. Calculate Return on investment and Return on Equity.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Equity</td><td style="width: 20%; text-align: right;">14,00,000</td><td style="width: 30%;"></td></tr> <tr> <td>Loan</td><td style="text-align: right;"><u>16,00,000</u></td><td></td></tr> <tr> <td> Total Investment</td><td style="text-align: right;">30,00,000</td><td></td></tr> <tr> <td>Sales Revenue(1,60,000 x 12)</td><td style="text-align: right;">19,20,000</td><td></td></tr> <tr> <td>Less cost of Goods sold(60,000x12)</td><td style="text-align: right;"><u>7,20,000</u></td><td></td></tr> <tr> <td> Gross Margin</td><td></td><td style="text-align: right;">12,00,000</td></tr> <tr> <td>Fixed Expenses:</td><td></td><td></td></tr> <tr> <td> Salary</td><td style="text-align: right;">40,000</td><td></td></tr> <tr> <td> Rent and utility</td><td style="text-align: right;">20,000</td><td></td></tr> <tr> <td> Interest (14% of 16,00,000)</td><td style="text-align: right;">2,24,000</td><td></td></tr> <tr> <td> Depreciation</td><td style="text-align: right;"><u>30,000</u></td><td style="text-align: right;">3,14,000</td></tr> <tr> <td>Profit Before Tax = Gross Margin-Fixed Expenses</td><td></td><td></td></tr> <tr> <td> = 12,00,000 – 3,14,000 =</td><td></td><td style="text-align: right;">8,86,000</td></tr> <tr> <td>Tax @ 15% of 8,86,000 = 1,32,900</td><td></td><td></td></tr> <tr> <td>Profit After Tax = 8,86,000 – 1,32,000</td><td></td><td style="text-align: right;">7,53,100</td></tr> <tr> <td>Return on Investment = $\frac{\text{Net Profit after Tax}}{\text{Total Investment}} \times 100$</td><td></td><td style="text-align: right;">= 25.10%</td></tr> <tr> <td>Return on Equity = $\frac{\text{Net Profit after tax}}{\text{Equity}} \times 100$</td><td></td><td style="text-align: right;">= 53.79%</td></tr> </table>	Equity	14,00,000		Loan	<u>16,00,000</u>		Total Investment	30,00,000		Sales Revenue(1,60,000 x 12)	19,20,000		Less cost of Goods sold(60,000x12)	<u>7,20,000</u>		Gross Margin		12,00,000	Fixed Expenses:			Salary	40,000		Rent and utility	20,000		Interest (14% of 16,00,000)	2,24,000		Depreciation	<u>30,000</u>	3,14,000	Profit Before Tax = Gross Margin-Fixed Expenses			= 12,00,000 – 3,14,000 =		8,86,000	Tax @ 15% of 8,86,000 = 1,32,900			Profit After Tax = 8,86,000 – 1,32,000		7,53,100	Return on Investment = $\frac{\text{Net Profit after Tax}}{\text{Total Investment}} \times 100$		= 25.10%	Return on Equity = $\frac{\text{Net Profit after tax}}{\text{Equity}} \times 100$		= 53.79%	3
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14	<p>Company 'A' goes for public issue 10,000 shares @Rs.10 each. Applications were received for only 5000 shares. Can the company proceed with the process of issuing shares?</p> <p>No. The company cannot proceed with the process of issuing shares. As per SEBI guidelines if the company does not receive 90% of the issue amount from the public subscription, then it cannot proceed with the process of issuing shares. The amount of subscription received is required to be refunded to the applicants.</p> <p>In the given instance, since only 50% of the issue has been subscribed for, therefore, the company cannot proceed with the process of issuing shares.</p>	3
15	<p>What is meant by 'Problem Identification'? State its any two objectives and also give an example of 'Problem Identification'.</p> <p>When there is a road block in a situation, which poses a conflict and forces you to find a solution, then this road block is problem and when one identifies this road block, it is called problem identification.</p> <p>Objectives:</p> <ul style="list-style-type: none"> (i) It should clearly state the problem (ii) To identify target group facing the problem (iii) To find the market acceptability of the solution to the problem. <p>Example: Travel Khana.</p>	3
16	<p>Vipul made his business plan with the help of an engineer. The plan was in the form of an entertaining slide show complemented with an oral narrative. When he showed his business plan to the bank officials they were excited about the project and discussed his various details. The business plan also had executive summary and important graphs showing financial trends.</p> <ul style="list-style-type: none"> (i) What type of business plan has been presented by Vipul? (ii) Explain two more formats of business plans. <ul style="list-style-type: none"> (i) A pitch deck with oral narrative (ii) Two other formats of business plan are as follows: <ul style="list-style-type: none"> (a) Elevator Pitch: It is a 3 minute summary of business plans executive summary. It is made to arise interest in potential investors, customers and strategic partners. (b) A written presentation for external stakeholders: it is a detailed, well written and pleasingly formatted plan targeted at external stakeholders. 	3
17	<p>Ankit is into the business of manufacturing low cost diesel-cars in Germany. He is earning good profits and ambitiously considering overseas expansion. He scans the environment for finding out the opportunities and threats that may influence his current and future plans. He zeroes down on India as a potential place for his business expansion as Indian Government has announced favourable trade regulations. On selling the first lot of cars in India, the Indian Government noticed that the emission from these cars were above the permissible limit. The government asked him to make</p>	3

	<p>necessary modifications in his cars if he wanted to continue business in India. He readily agreed to meet the emission norms set by the Indian Government.</p> <p>(a) Quoting the lines from the above para identify any two environmental factors</p> <p>(b) Also, state any two values which Ankit tried to communicate to the Indian Society.</p> <p>Two environmental factors affecting Ankit's business are:</p> <p>(i) Political Environment: It consists of the forces concerning management of public affairs and their impact on business. It includes political conditions in the country and attitude of the government towards business & business policy.</p> <p>(ii) Legal environment: The business has to function within the framework of laws and regulations of the country which make up its legal environment.</p> <p>Two values which Ankit wants to communicate to the Indian society are:</p> <p>(a) Contributing towards the economic development of the country by increasing foreign investment in the country.</p> <p>(b) He is encouraging consumer sovereignty by providing Indian consumers more options in the low cost car segment.</p>	
18	<p>What is manpower planning? Why is it necessary for every business unit?</p> <p>An organization's performance and resulting productivity are directly proportional to the quantity and quality of its manpower and this manpower is managed through manpower planning. Human resource is of paramount importance for the success of an organization.</p> <p>(i) What kind of people are required?</p> <p>(ii) How many people are required?</p> <p>(iii) How will they be selected?</p> <p>Importance of manpower planning</p> <p>(i) It is a key to managerial function</p> <p>(ii) Helps in efficient utilization of the work force</p> <p>(iii) Motivating the workforce</p> <p>(iv) Leads to higher productivity.</p>	4
19	<p>Healthy Juice India Ltd and Asli Juice Ltd are engaged in the production of fruit juice. Both the companies sell the juice in 1000ml tetra packs and are in direct competition. To avoid competition, the management of both the companies decided to merge and form a new company, 'Asli Healthy Juice India Ltd'. The new company decided to sell the fruit juice through the company-owned outlets throughout the country.</p> <p>(i) Name and explain the Enterprise Growth Strategy</p> <p>(ii) Also explain the channel of distribution decided by 'Asli Healthy Juice India Ltd'.</p> <p>(i) Mergers & Acquisitions. It is a form of external growth strategy that ensures the accelerated growth of a business and also helps the business to expand. A merger is a combination of two companies into one large</p>	4

	<p>company.since a new company is formed it is known as amalgamation.</p> <p>(ii) The company is opting for direct channel of distribution. This channel is the shortest, simplest and most economical channel of distribution, in which the producers sell products directly to the consumers through</p> <p>(a) Door-door sales persons (b) own retail outlet and direct mail.</p>	
20	<p>Stock exchange performs a number of functions in respect of marketability of different types of securities for investors and borrowing companies. Explain the important functions of stock exchange.</p> <p>(i) Continuous and ready market for securities: Buyers and sellers are provide with a platform where they could trade in securities as and when they needed.</p> <p>(ii) Provide safety & security in dealing: as transactions are conducted as per well-defined rules and regulations, fraudulent practices stand checked effectively, ensuring safety, security & justice in dealing.</p> <p>(iii) Facilitate evaluation of securities: stock exchange publixshes price quotation of the shares of the companies, listed with them, after a thorough analysis of demand and supply forces. This enables the investors to evaluate different securities.</p> <p>(iv) Regulates company management: Listed companies have to comply with rules and regulations of concerned stock exchange and work under their vigilance. This help to regulate company management.</p> <p>(v) Facilitate public borrowing</p> <p>(vi) Facilitate healthy speculation (Any other valid points)</p>	4
21	<p>Varshini started her high end boutique in a posh locality but she was not aware of how to make her boutique popular in the area.. Suggest some measures for it.</p> <p>Varshini has started a high-end boutique in a posh locality. So her target customers are rich and affluent people. So, below the line promotional activities will be suitable for her, which include:</p> <p>(i) Sponsorship (ii) sales promotion techniques (iii) Building public relations (iv) personal selling (vi) direct marketing</p> <p>Since, Varshini deals in providing designer clothes, so sales promotion techniques would be best suited for her.</p>	4
22	<p>ABC Company, manufacturing shoes, has taken over XYZ company which also manufactures shoes at a small scale .What do you think will be the reason for this kind of takeover? Also explain the types of mergers.</p> <p>(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.</p> <p>(ii) Specific assets: XYZ company may have specific assets in the form customer base, employees, intellectual property, that ABC Company can get through takeover.</p> <p>(iii) Increased Market share: The market share of ABC company will increase after takeover. This might also be one of the reasons for takeover.</p>	6

	<p>Types of Mergers:</p> <ul style="list-style-type: none"> (i) 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. (ii) Vertical Merger: A merger between two companies producing different goods or services for one finished product. (iii) Market extension mergers: It takes place between companies that deal in the same product but in separate markets. (iv) 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. (v) Conglomerate mergers: the firms which are involved in totally unrelated business come together. 	
23	<p>What is meant by venture capital? State any five features of venture capital.</p> <p>Venture Capital is an equity based investment in small and medium enterprises in return for minority shareholding in the business or an irrevocable right to acquire. It is a professionally managed pool of equity capital.</p> <ul style="list-style-type: none"> (i) It is basically equity finance in relatively new companies. (ii) It is long term investment in growth oriented small or medium firms. (iii) Venture capitalist not only provide capitals but also business skills to investing firms (iv) It involves high risk return spectrum. (v) Continuous involvement in the business after making the investment. 	6
24	<p>Suppose you have to introduce a new toilet soap in the market, what environmental factors you will take into account?</p> <p>Before introducing a new toilet soap in the market, both micro and macro environmental factors should be considered.</p> <p>Micro environmental factors:</p> <ul style="list-style-type: none"> (a) Competitors who are existing or potential competitors, their price, quality etc. (b) Customers who will be the target market, whether it is rich,, poor or middle class. The soap can be for females, babies, skin problem users etc. (c) Suppliersthe raw materials to be used have enough suppliers. (d) Intermediaries who can be tied up with for marketing, financing, transporting etc. <p>Macro environmental factors</p> <ul style="list-style-type: none"> (a) Political: whether any subsidies, tax relief etc have been introduced by the current government (b) Economic: Interest rate on loans to be taken, inflation and other factors have to be considered (c) Social values, tradition or customer preference has to be considered before coming up with a new soap. (d) Ecological regarding pollution, disposal of waste etc. 	6

	(e) Legal: taxation laws, environment protection laws have to be scanned.	
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