



INDIAN SCHOOL MUSCAT
SOLVED SAMPLE QUESTION PAPER (2018)
ENTREPRENEURSHIP
CLASS: XII
SUBJECT CODE: 066

Time allowed: 3 hours

Maximum Marks: 70

General Instructions:

- All the questions are compulsory.
- Please check that this Question Paper contains 24 Questions.
- Marks for each question are indicated against it.
- Questions 1 to 5 are Very Short Answer type carrying 1 mark each.
- Questions 6 to 10 are Short Answer-I Type questions carrying 2 marks each.
- Questions 11 to 17 are Long Answer-I Type question carrying 3 marks each.
- Questions 18 to 21 are Long Answer-II Type questions carrying 4 marks each.
- Questions 22 to 24 are Essay Answer Type questions carrying 6 marks each.
- Answer should be brief and to the point.
- Please write down the serial number of the Question before attempting it.

1	Distinguish between 'Sales Tax' and 'Excise Duty'. ANS: Sales tax is levied on the sale of the commodity which is sold for the first time. Excise duty is a tax on manufacture/ production or import of goods. Note: 1 mark for correct difference	1
2	What is meant by 'Employment'? ANS: Activity in which an individual works regularly for others and gets remuneration in return	1
3	Give the meaning of 'Legal Environment.' ANS: It covers all such areas such as taxation, employment, law monopoly, legislation and environmental protection laws.	1
4	'It is the process of entrepreneurship which involves the translation of a useful idea into an application which has commercial value.' Identify the process. Ans: Innovation.	1

5	<p>Rahul wants to start an amusement park near Vishakhapattanam. This will require an investment of ₹.50 lakhs. Name the financial institution which Rahul should approach for financing this venture.</p> <p>ANS: Tourism Finance Corporation of India (TFCI)</p>	1
6	<p>State any two points of importance of 'Goal Setting'. Write any two points:</p> <p>ANS:</p> <ol style="list-style-type: none"> 1. It is an important exercise for ensuring the appropriate performance 2. It ensures clarity of vision and alignment to the organisational goals. 3. It allows us to be proactive instead of being reactive 	2
7	<p>Give the meaning of 'Routing' and 'Scheduling' as elements of operational plan.</p> <p>ANS:</p> <p>Routing is a process concerned with determining exact route or path a product/ service has to follow right from raw material till its transformation into finished product.</p> <p>Scheduling means fixation of time, date, day when each operation is to be commenced and completed.</p>	2
8	<p>Gaurav started a factory for manufacturing bags for the students of nursery and primary classes. He invested ₹.2, 00,000 of his own and obtained a loan of ₹10, 00,000 from bank. He made the instruction plan describing the details that were needed for the operation of machines by the workers.</p> <p>Identify and explain the format of 'business plan' described in the above para</p> <ol style="list-style-type: none"> a. Internal Operational plan b. A detailed plan describing planning details that are required by management but may not be of interest to external stakeholders 	2
9	<p>With its help the consumers are able to identify the products of a firm and are also able to differentiate them from those of the competitors. Identify the concept and state its components.</p> <p>ANS: (a) Brand.</p> <p>(b) It has the following components --brand name; brand mark; trade mark. $\frac{1}{2}+1\frac{1}{2}=2$</p>	2
10	<p>Name and define the form of business organization in which the liability of its members is limited. State one more feature of this form of business organization.</p> <p>ANS:</p> <ol style="list-style-type: none"> (a) Joint stock company. (b) It is an association of persons who contribute money in the shape of shares and the company gets a legal entity and enjoys a permanent existence. (c) It has the following features: (Any one) voluntary association; artificial person; separate legal entity; common seal; limited liability; transferability of shares; diffusion of ownership and management; number of members; limitation of action; winding up. 	2

11	<p>What is meant by "Problem Identification"? State it's any four uses and also give an example.</p> <p>ANS:</p> <p>a) A problem is a roadblock in a situation, something that sets up a conflict and forces you to find a solution.</p> <p>(b) It has the following uses: (Any four) Bring out new products in the market; understand the problems and needs of the market; be creative; increase employment generation; increase national income</p> <p>(c) Example: ready to eat foods for the younger career oriented generation (or any other suitable example)</p>	3
12	<p>After passing his 12th class with entrepreneurship as an elective subject 'Guru' started his own business. He invested ₹2, 00,000 as capital which was given to him by his father. He obtained a loan of ₹ 1, 00,000 from his elder brother Ravi, who was working as an assistant manager in Bank of Baroda. In the first year he incurred a loss of ₹.50, 000 and had to pay to his suppliers their outstanding bills. This created a financial problem for him and he had to take a loan of ₹ 1, 00,000 from the Bank of Baroda on the personal guarantee of his brother, He started doing hard work, lowered the prices and informed his customers about the qualities of goods sold by him. Because of this the sales increased four times and he earned a net profit of ₹ 75,000 in the second year.</p> <p>(a) Identify the form of business organization started by "Guru". (b) State any five features of such a form of business organisation.</p> <p>ANS:</p> <p>(a) Sole proprietorship (b) The following are the features for sole proprietorship: (Any five features in statement form)</p> <ol style="list-style-type: none"> individual ownership individual management and control individual financing no separate legal entity unlimited liability; sole beneficiary easy formation and closure limited area of operation 	3
13	<p>State the advantages of 'Good Negotiations'.</p> <p>ANS:</p> <ol style="list-style-type: none"> Helps in building better relationships Delivers lasting, quality solutions- rather than poor short-term solutions that do not satisfy the needs of either party Helps in avoiding future problems and conflicts 	3
14	<p>'For the smooth and orderly functioning of corporate sector in a free market economy, stock exchanges are indispensable because of different roles played by them for different groups.' Explain the importance of stock exchange to investors in the light of this statement.</p> <p>ANS: Importance of stock exchange to investors : (any three points)</p>	3

	<p>1. Dissemination of useful Information. Stock exchange publishes useful information regarding price lists, quotations, etc., of securities through newspapers and journals. The interested persons buy and sell their securities on the basis of information provided by the stock exchanges.</p> <p>2. Ready Market: Persons desirous of converting their shares in to cash may easily do so through a member of stock exchange.</p> <p>3. Investors' Interests Protected: Stock exchanges formulate rules and regulations so that members may not exploit the investors.</p> <p>4. Genuine Guidance about the Securities Listed: The investors can safely depend upon the information provided by the stock exchanges.</p> <p>5. Barriers of Distance Removed: Stock exchange removes the barriers of distance in regard to securities listed there. Without stock exchange the securities of a Delhi company may have a limited market in Delhi only.</p> <p>6. Knowledge of Profit or loss on Investments: The investors can estimate the profit or loss on the total amount of investments in securities, by comparing the original amount invested and the price of securities on a particular day.</p>	
15	<p>'The Fancy Store' a readymade garments retail shop sold 8,000 shirts at ₹.400 per shirt during the year ended 31st March, 2014. Cost of placing an order and receiving goods is ₹ 2,000 per order. Inventory holding cost is ₹ 500 per year. Calculate the 'Economic Order Quantity' for 'The Fancy Store'.</p> <p>ANS: Economic Ordering Quantity</p> $\text{Formula} = \sqrt{2PD/C}$ $= 2 \times 2000 \times 8000 / 500$ $= \sqrt{64000}$ <p>Ans = 252.98 units (253)</p> <p>Note: 1 mark for the formula; 1½ marks for calculations and ½ for the correct answer</p>	3
16	<p>Naveen after completing his M. Tech in Nano Technology wanted to start his own business. He thought to manufacture sophisticated instruments used in surgery. He knew that his knowledge of Nano Technology will help him in manufacturing these instruments. According to him such instruments will help the surgeons to operate upon the patients with accuracy, with minimum blood loss and quick post operation recovery. Such types of instruments are used in advanced countries only and there was a risk in marketing the same. The cost price of machinery required for manufacturing such instruments was very high and more research was required in this field of Nano Technology. For seed funding, Naveen approached 'Himani Capital Ltd.', who finance such types of projects. 'Himani Capitals Ltd.' after analysing the proposal agreed to provide seed capital to Naveen.</p> <p>Explain the different stages of 'Early stage financing' to seek venture capital finance after the one discussed above</p>	3

	<p>ANS: (a) Pre-start up and start up finance: A business plan is presented by the entrepreneur to the VC firm. A management team is being formed to run the venture. If the company has a board of directors, a person from the VC firms will take seats at the board of directors. The VC firm monitors the feasibility of the product and the capability of the management-team from the board of directors.</p> <p>(b) Second round financing This is the first encounter with the rest of the market. The entrepreneur, at this stage, needs assistance from the Venture Capitalist for expansion, modernization, and diversification so that the economies of scale and stability could be attained.</p>	
17	<p>'Pure Neer India Ltd.' is the manufacturers of water purifiers. The company has developed a new water purifier that not only converts the hard water into soft water but also kills the bacteria and other harmful micro organisms present in it. The company has named this water purifier as 'Nirmal Neer' and for its marketing, 428 appointed, salesmen throughout the country. The company also trained the salesmen to provide information about the usefulness of the 'Nirmal Neer' water purifiers to the customers and motivate them to buy the same.</p> <p>(a) Name and explain the 'type of promotion strategy' adopted by the company. (b) Also identify the channel of distribution used by the company.</p> <p>ANS: (a) Personal selling. It means selling products personally. It involves oral presentation of message in the form of conversation with one or more prospective customers with the purpose of making sales. (b) Direct channel/zero level of distribution</p>	3
18	<p>'Information for environmental scanning can be collected from several sources.' State any four such sources.</p> <p>ANS: (Any four) 1. Verbal information from customers, wholesalers, retailers, distributors, consultants., etc 2. records of companies 3. government publications 4. Publications by various financial institutions; and 5. formal studies conducted by strategic planner.</p>	4
19	<p>After doing her M.Com. from 'Himachal Pradesh University of Shimla', Komal went back to her village in Kinnaur district of Himachal Pradesh. She wanted to contribute for the development of women of her village, so she formed an organization, the membership of which was open for all the women villagers on voluntary basis by paying ₹ 500 only which will be treated as their capital. Komal knew that the land of her village was suitable for the farming of medicinal plants. So she motivated the members of her organizations for growing medicinal plants in their fields under the guidance and help of the local agricultural department. It was also decided that the organization will purchase the produce of each member and sell the same to drug manufacturing companies, at a very good price which was not possible for the members individually. The main objective of the organisation is to render services to its members rather than to earn profit.</p> <p>A computer training centre for young boys and girls of the village was started under the</p>	4

	<p>guidance of Komal from the surplus of the profits.</p> <p>(a) Name the process that helped Komal in developing an idea into an opportunity. (b) Identify the kind of organization that was formed by Komal. (c) State any two values which Komal wanted to communicate to the society</p> <p>ANS: (a) Sensing entrepreneurial opportunities (b) Co-operative society form of business organization.</p> <p>(c) Any two values: Courtesy; fostering respect for differences; sensitivity to environment; good behaviour in human interaction; sharing, compassion, empathy; discipline; responsibility; respect for law and order; conflict resolution; team work; honesty and integrity (or any other two correct values) 1+1+2=4</p>																																																			
20	<p>'Nomy India Ltd.' Is the producers of different sizes of televisions. From the information given below, calculate the 'Break-Even Quantity' of the T.V. sets manufactured per month.</p> <p>Informations :</p> <table border="1" data-bbox="185 913 1448 1155"> <thead> <tr> <th>Size of T.V. sets</th> <th>Unit selling price (Rs)</th> <th>Unit variable cost(Rs)</th> <th>Fixed expenses per month(Rs)</th> </tr> </thead> <tbody> <tr> <td>24"</td> <td>5,000</td> <td>2,000</td> <td>4,000</td> </tr> <tr> <td>32"</td> <td>10,000</td> <td>7,000</td> <td>6,000</td> </tr> <tr> <td>36"</td> <td>15,000</td> <td>12,000</td> <td>8,000</td> </tr> <tr> <td>42"</td> <td>20,000</td> <td>14,000</td> <td>9,000</td> </tr> </tbody> </table> <p>ANS:</p> <table border="1" data-bbox="185 1226 1432 1556"> <thead> <tr> <th>Size of T.V. sets</th> <th>Unit selling price (Rs)</th> <th>Unit variable cost(Rs)</th> <th>Fixed expenses per month(Rs)</th> <th>BEP calculation</th> <th>IN UNITS</th> </tr> </thead> <tbody> <tr> <td>24"</td> <td>5,000</td> <td>2,000</td> <td>4,000</td> <td>4000/3000</td> <td>1.33</td> </tr> <tr> <td>32"</td> <td>10,000</td> <td>7,000</td> <td>6,000</td> <td>6000/3000</td> <td>2</td> </tr> <tr> <td>36"</td> <td>15,000</td> <td>12,000</td> <td>8,000</td> <td>8000/3000</td> <td>2.66</td> </tr> <tr> <td>42"</td> <td>20,000</td> <td>14,000</td> <td>9,000</td> <td>9000/6000</td> <td>1.5</td> </tr> </tbody> </table>	Size of T.V. sets	Unit selling price (Rs)	Unit variable cost(Rs)	Fixed expenses per month(Rs)	24"	5,000	2,000	4,000	32"	10,000	7,000	6,000	36"	15,000	12,000	8,000	42"	20,000	14,000	9,000	Size of T.V. sets	Unit selling price (Rs)	Unit variable cost(Rs)	Fixed expenses per month(Rs)	BEP calculation	IN UNITS	24"	5,000	2,000	4,000	4000/3000	1.33	32"	10,000	7,000	6,000	6000/3000	2	36"	15,000	12,000	8,000	8000/3000	2.66	42"	20,000	14,000	9,000	9000/6000	1.5	4
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21	<p>'Jagriti Ltd' are the manufacturers of Cars for the last 15 years and was earning good profits. Recently, due to the irregular supply of parts by the suppliers the company could not make timely delivery of cars to its customers. The customers cancelled their bookings and there were very few new bookings. As a result the sale of the cars declined and also the profits. The management of the company analysed the problems and decided to take over those two firms because of whom the problems arose. One of them was supplying engines and the other tyres. The company also launched new discount schemes for its customers. It also decided to employ 200 unemployed young boys and girls to take up the cleaning operations using imported machines inside the factories as well as the surrounding areas.</p>	4																																																		

	<p>(a) Identify and state the concept of 'Enterprise Marketing and Growth Strategies' discussed in the above para.</p> <p>(b) Identify anyone value which 'Jagriti Ltd' wanted to communicate to the society</p> <p>ANS:</p> <p>(a) Concept for enterprise marketing - Sales promotion Concept for growth strategy - Acquisition (Appropriate explanation required for both concepts)</p> <p>(b) (Any one appropriate value) Job opportunity for youth; equal opportunities for both men and women; care for environmental cleanliness.</p>	
22	<p>'The process of generation of ideas' can be streamlined by developing awareness about it and these work as the convenient frames of references for this'.</p> <p>(a) Identify the concept stated in the above lines.</p> <p>(b) Explain any three sources of the concept identified which are used by an Entrepreneur</p> <p>ANS: (a) Idea fields</p> <p>(b) (Any three)</p> <p>(1) Natural resources: Ideas can be generated based on natural resources. A product or service may be desired from forest resources, agriculture, horticulture, mineral, animal husbandry, wind, sun, and human resource.</p> <p>(2) Existing products or service: A business opportunity or idea often comes from everyday problems that someone solves. Successful businesses find a need and fill it by providing a service or product. Entrepreneurs who look at ways to make an existing product or service better can be as successful as those who create or invent products.</p> <p>(3) Market driven or demand driven Market research is any organized effort to gather information about target markets or customers. Ideas can be generated based on existing demand in the market. It is a very important component of business strategy.</p> <p>(4) Trading related: Trade is buying goods and services and selling them to consumers at a profit. One big advantage that trading has over other types of businesses is that it is easier to launch and less risky. It is however, necessary for a prospective trader to be aware of the trends in an economy.</p> <p>(5) Service sector: Service sector is the most growing fields these days due to emerging knowledge societies and advances in Information and Technology. So new opportunities can be identified by understanding the linkages to different business activities.</p> <p>(6) Creative efforts: There are basically five ways in which creative ideas can be generated: 1. Develop a new product or service. 2. Improve an existing product or service. 3. Find a new process or resource for manufacturing a product. 4. Find new markets for existing products or services. 5. Find a new use for a product or service.</p>	6
23	<p>Raj Singh has started a restaurant on a National Highway in the name of 'Desi Dhaba' by spending ₹ 25, 00,000. He invested ₹ 10, 00,000 of his own and took a loan of ₹ 15, 00,000 from Dena Bank, @ 6% per annum. His monthly sales revenue is ₹ 17, 00,000 and cost of goods sold is ₹ 9, 00,000. He pays monthly salary of ₹ 3, 00,000 to his employees. The tax rate is 25%. You are required to calculate :</p> <p>(a) Return on Investment and</p> <p>(b) Return on Equity for Raj Singh</p>	6

ANS: Option A (on annual basis)

Formula for calculating Return on Investment =

Net profit after tax/ Total Capital Invested × 100

OR

Net profit before Interest and tax/ Total Capital Invested × 100

Equity	10,00,000	
Debt	15,00,000	
Capital invested	25,00,000	
Sales revenue (17,00,000 × 12)	2,04,00,000	
Less: cost of goods sold (9,00,000 × 12)	1,08,00,000	
Gross Profit	96,00,000	96,00,000
Less: fixed expenses (3,00,000 × 12)	36,00,000	
Loan (15,00,000 × 6/100)	90,000	
	36,90,000	36,90,000
Net profit before tax	59,10,000	
Less: Tax 25%		14,77,500
Net profit after tax		44,32,500

$$\text{ROI} = \text{Net Profit after tax} / \text{Total Capital Invested} \times 100 = 44,32,500 / 25,00,000 \times 100 = 177.3\%$$

$$\text{Return On Equity Formula} = \text{Earnings after tax} / \text{Equity} \times 100 = 44,32,500 / 10,00,000 \times 100 = 443.25\%$$

24 Raghav after doing his B. Pharma. degree from a reputed government college started two chemist shops in two different localities of his home town. Encouraged with the success of these shops, he started six more shops in different cities of the State. His strategy was to cut price, focus on lower and middle class patients and open shops near hospitals. He operated on very thin margins. But he was not able to maintain sufficient funds to meet the day to day expenses of the business. The staff of the shops did not give much attention to the customers and there was very poor system of control. Because of this mismanagement he started incurring huge losses and his business failed.

6

Based on the above para identify and explain any four causes of business failure of Raghav.

ANS: Causes of business failure of Raghav: (four)

1. **Lack of adequate cash flow:** Many small businesses fail because owners have a difficult time projecting what cash will come in every month, and thus, how much can go out. Raghav failed to estimate the correct expense which is required to run the business on a daily basis.

2. **Management incompetence:** Raghav worked on very thin margins which led to huge losses as well as he did not have control over his staff.

3. **Diminished customer base:** Raghav did not keep a track of his customer base. Competition can cause the customer base to diminish.

4. **Poor system of control:** Raghav could not have proper internal control over activities which led to the failure of his business.

(Note: or any other relevant point)
