

INDIAN SCHOOL MUSCAT  
FIRST PRELIMINARY EXAMINATION  
**SUBJECT : ENTREPRENEURSHIP**

Sub.Code: 066

MARKING SCHEME

SET B

1	What is PAN? Ans: Permanent Account Number is a ten – digit alphanumeric number issued by the Income Tax Department.	1
2	What is meant by Profession? Ans: all economic activities related to the production and distribution of goods and services undertaken for monetary gains.	1
3	Give the meaning of 'Economic Environment.' Ans: It includes interest rates, inflation, business cycles, unemployment, disposable income ,energy availability and cost.  Or What is trend spotting? Ans: Refer set C	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:	1
5	Hari is an entrepreneur who wants to start an amusement park in Indore. He knows that she needs a huge amount of financial capital. According to you which of the financial institution will be more suitable to him? Ans: Tourism Finance Corporation of India( TFCI)  Or Patamadai, a small town resides along the banks of the Tamaraparani river, 20Kms away from Tirunelveli in Tamilnadu. This place is world famous for its silken mats woven from grass. The majority of mats made in here have cotton warps and korai wefts. The process of mat weaving is time consuming and painstaking. This handicraft industry has gone through a cycle of transition from being most coveted to the most ignored. Producers had changed the method of production but off late many of them are reverting back to traditional methods of dyeing and processing the korai grass. Mass production now requires more finance. Which financial institution these producers should approach for help? Ans: Refer set C	1
6	State any two rules of 'Goal Setting'. Ans: 1. Need to be relevant 2. Need to be actionable	1+1
7	Give the meaning of 'Routing' and 'Scheduling' as elements of operational plan. Ans: 1. Routing: determining exact route of transforming raw materials into finished goods. 2. Scheduling: fixation time ,day ,date of each operation.  Or A summary of the projected assets, liabilities and net worth of the entrepreneur is	1+1

	<p>depicted through a proforma that helps entrepreneur to reflect the position of the business at the end of its first year. Identify the term referred here. To which component of Business Plan the Term belong to?</p> <p>Ans: Refer set C</p>	
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.</p> <p>Identify and explain the format of 'business plan' described in the above para.</p> <p>Ans: An internal operation plan.(explain)</p>	1+1
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:</p> <ol style="list-style-type: none"> <li>1. Brand</li> <li>2. Brand mark. Trade mark. Brand name</li> </ol> <p>Or</p> <p>"It is the mixture of controllable variables that the firm uses to pursue the sought level of sales in the market". Identify the concept and mention the components</p> <p>Ans: Refer Set C</p>	1+1
10	<p>Name and define the form of business organization in which the liability of its members is unlimited. State one more feature of this form of business organization.</p> <p>Ans:</p> <ol style="list-style-type: none"> <li>1.Sole Proprietor</li> <li>2. Voluntary association</li> </ol>	1+1
11	<p>What are the various factors than an entrepreneur has to keep in mind while assessing the market?</p> <p>Ans:</p> <ol style="list-style-type: none"> <li>1. Demand</li> <li>2. Supply and nature of competition</li> <li>3. Cost and price of product</li> <li>4. Project innovation and change (any three with meaning)</li> </ol>	1+1 +1
12	<p>It is an association of persons of persons who contribute money in the shape of shares and it gets a legal entity and enjoys a permanent existence.</p> <p>Identify the form of business organization and explain any two features</p> <p>Ans:</p> <ol style="list-style-type: none"> <li>1. Company</li> <li>2. Voluntary association and Artificial person (explain each)</li> </ol> <p>Or</p> <p>An entrepreneur who is interested to operate his or her enterprise as an HUF is required to comply with various requirements. Explain any three such requirements</p> <p>Ans: Refer set C</p>	1+2
13	<p>State the advantages of 'Good Negotiations'.</p> <p>Ans:</p> <ol style="list-style-type: none"> <li>1. Build better relation</li> <li>2. Deliver lasting quality solution</li> <li>3. Avoiding future problem</li> </ol>	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:</p> <ol style="list-style-type: none"> <li>1. Dissemination of useful information</li> <li>2. Ready market</li> <li>3. Protect investors interest</li> <li>4. Genuine guidance of securities</li> <li>5. Distance barrier removed</li> <li>6. Knowledge of profit or loss on investment</li> </ol>	3
15	<p>A book shop sells pens 30,000 quantities per year. Demand is uniform. Purchase cost is Rs ₹ 6 per pen. Holding cost per annum is 20% of purchase cost. Ordering cost is ₹ 500 per order. What should be the EOQ for the shop keeper?</p> <p>ANS: Economic Ordering Quantity</p> <p>Formula = <math>\sqrt{2PD/C}</math></p> <p>= <math>2 \times 500 \times 30000 / 1.2</math></p> <p>= 5000</p> <p>Ans = 5000</p> <p>Note: 1 mark for the formula; 1½ marks for calculations and ½ for the correct answer</p> <p>Or</p> <p>The Raja and Company has the following items in its Balance Sheet: stock -50,000 ; trade creditors -30,000; debtors -70,000; cash -100,000; dividend payable-45,000; short term loans-60,000; short term investments-75,000; tax45,000.</p> <p>Calculate gross and net working capital.</p> <p>Ans: Refer set C</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> <p>Ans:</p> <ol style="list-style-type: none"> <li>1. Start up</li> <li>2. Second round (explain each)</li> </ol> <p>Or</p> <p>Going public is a complex decision that requires careful consideration and planning. Entrepreneurs should examine their current and future capital needs, and be aware of how an IPO will affect the availability of future financing. What are the drawbacks to an entrepreneur in going public?</p>	1 ½ +1 ½

	Ans: Refer set C	
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 appointed 400 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</p> <ol style="list-style-type: none"> <li>1. Personal sale- explain</li> <li>2. Zero level</li> </ol>	2+1
18	<p>'Information for environmental scanning can be collected from several sources.' State any four such sources.</p> <p>Ans:</p> <ol style="list-style-type: none"> <li>1. Information from customers, retailers</li> <li>2. Records of companies</li> <li>3. Government publications</li> <li>4. Publications by financial institutions</li> </ol> <p style="text-align: center;">Or</p> <p>Harish, after finishing his degree wanted to start his own business. He was confused as to the kind of business he should start. He attended a start-up session. One of the speakers stated that 'Creativity can be used to spot and harness opportunities as well as be applies to develop new products and services'. State any four ways in which creative ideas can be generated</p> <p>Ans: Refer set C</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 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:</p> <ol style="list-style-type: none"> <li>a. Environment scanning</li> <li>b. Co-operative societies</li> <li>c. Serve the society</li> </ol> <p>Encourage women empowerment</p>	1+1 +2

20	<p>A beauty parlor had varying number of customers during 5 weeks. The details of total billing are given in the box. The cost of goods sold is 60% of the sale price.</p> <p>Find out the Unit of Sale, Unit Price, Unit Cost and the Gross margin per unit of sale.</p> <table><tr><th>Week</th><th>No. of customers</th><th>Total amount billed(₹)</th><th>Average amount billed (₹) per customer</th></tr><tr><td>Week 1</td><td>10</td><td>1000</td><td>100</td></tr><tr><td>week 2</td><td>17</td><td>1445</td><td>85</td></tr><tr><td>Week 3</td><td>13</td><td>923</td><td>71</td></tr><tr><td>Week 4</td><td>22</td><td>5082</td><td>231</td></tr><tr><td>Week 5</td><td>18</td><td>3150</td><td>175</td></tr></table> <p>Ans:</p> <ol style="list-style-type: none"><li>1. Unit of Sale -80</li><li>2. Unit Price-₹ 145 ( total of bill /80)</li><li>3. Unit Cost - ₹ 87 (60% of unit price)</li><li>4. Gross margin – ₹ 58 ( 2-3)</li></ol> <p>Or</p> <p>What is Cash Conversion Cycle? Explain the stages with a diagram</p> <p>Ans: Refer Set C</p>	Week	No. of customers	Total amount billed(₹)	Average amount billed (₹) per customer	Week 1	10	1000	100	week 2	17	1445	85	Week 3	13	923	71	Week 4	22	5082	231	Week 5	18	3150	175	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> <p>(a) Identify and state the concept of 'Enterprise Marketing and Growth Strategies' discussed in the above para.</p> <p>(b) Identify any one value which 'Jagriti Ltd' wanted to communicate to the society</p> <p>Ans:</p> <ol style="list-style-type: none"><li>a. Vertical Merger - explain</li><li>b. Respect environment</li></ol>	2+1																								
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:</p> <ol style="list-style-type: none"><li>1. Idea field ( 1 mark)</li><li>2. Natural resources</li><li>3. Trading related</li><li>4. Service related ( explain each)</li></ol>	1+5																								

- 23 Manav has started a restaurant on a National Highway in the name of 'Desi Dhaba' by spending ₹ 35, 00,000. He invested ₹ 15, 00,000 of his own and took a loan of ₹ 20, 00,000 from Dena Bank, @ 6% per annum. His monthly sales revenue is ₹ 13, 00,000 and cost of goods sold is ₹ 8, 00,000. He pays monthly salary of ₹ 4, 00,000 to his employees. The tax rate is 25%. You are required to calculate :
- (a) Return on Investment and  
(b) Return on Equity for Raj Singh
- Ans:

SOURCES OF FUND		
		AMOUNT
EQUITY		1500000
DEBT		2000000
TOTAL INVESTMENT		3500000
INCOME STATEMENT FOR ONE YEAR		
SALES	1300000	15600000
LESS COGS	800000	9600000
GROSS MARGIN		6000000
FIXED EXPENSES		
SALARY ( X 12)	400000	4800000
RENT (X 12)		0
DEPRECIATION &AMORTISATION - ANNUAL		
INTEREST -ANNUAL	6	120000
DEPRECIATION &AMORTISATION - ANNUAL		
TOTAL FIXED EXPENSES		4920000
PROFIT BEFORE TAX		1080000
TAX @25 %	25	270000
PROFIT AFTER TAX		810000
ROI	PAT/TOTAL INVESTMENT *100	23.14
ROE	PAT/EQUITY *100	54.00

Or

The School Go Ltd. Manufactures three products- Tiffin covers; Bottle covers; Pencil Pouch.

Sale price per unit of each is ₹ 200, ₹ 100 and ₹75 respectively

Variable cost per unit of each is ₹ 100, ₹ 60 and ₹ 25 respectively

	<p>The Total fixed expenses of the company are ₹ 55, 000 per month.  For the coming month, it expects the sale of three products in the following proportions :  Tiffin covers:20%  Bottle covers: 50%  Pencil Covers:30 %  Compute break - even point of the company in units and rupees for the coming month  Ans:</p>	
24	<p>An effective relation with the employees is essential ultimately to achieve the goals of the organization .But the effective relation depends on various factors. Explain them.  Ans:</p> <ol style="list-style-type: none"> <li>1. Identify objective</li> <li>2. Determine employee needs</li> <li>3. Balancing work and life needs</li> <li>4. Open and honest communication</li> <li>5. Measuring and monitoring results</li> <li>6. Relationships are interpersonal ( explain each)</li> </ol> <p style="text-align: center;">Or</p> <p>It is about building good relations with the stakeholders of the business by obtaining favorable publicity, building a good corporate image and handling or heading off unfavorable rumours,stories and events. Identify the term and mention main tools used by an entrepreneur in this regard.  Ans: Refer set C</p>	1x 6