

INDIAN SCHOOL MUSCAT
FIRST PRELIMINARY EXAMINATION
SUBJECT : ENTREPRENEURSHIP

CLASS: XII

Sub.Code: 066

MARKING SCHEME -SET C

1	What is meant by “Mutual Agency of Partners”. Ans: The business can be carried on by all the partners or any one of them acting for all.	1
2	Write 4 C's of credit. Ans: character, cash flow, collateral and capital	1
3	What is required to convert an idea into opportunity? Ans: skill, competency, knowledge, creative thinking Or What is trend spotting? Ans: Identifying new trends	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	What is Venture Capital? Ans: Its an equity based investment in a growth –oriented small to medium business to enable the investors to accomplish objectives, in return for minority shareholding in the business or the irrevocable right to acquire. 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: State Financial Corporation	1
6	State any two points of importance of 'Goal Setting'. Write any two points: Ans : 1. Ensure performance. 2. Ensures higher probability of achieving the goals.	2
7	Give the meaning of 'dispatching ' and 'Inspection' as elements of operational plan. Ans: Dispatching: production in accordance with production plan. Inspection: comparing performance with standards. Or A summary of the projected assets, liabilities and net worth of the entrepreneur is 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?	2

	Ans: Proforma of Balance Sheet Financial Plan (1+1=2)	
8	<p>Sandeep had started his business of dairy products in 2018. He wanted to expand his business but did not have the necessary funds. One of his friend's suggested that he should approach Mr. Goel, a venture capitalist for further funds. When Sandeep approached Mr. Goel, he was given three minutes for explaining his business proposition.</p> <p>Identify and explain the format of 'business plan' described in the above para.</p> <p>Ans: Elevator Pitch (explain)</p>	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: Brand Components: Brand name, brand mark, trade mark</p> <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: Marketing Mix Product, Place, Price and Promotion (1+1=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: Company - Its an association of persons who contribute money in the form of shares and it gets legal entity and enjoys a permanent existence. Feature: Voluntary association</p>	2
11	<p>Before selecting the business opportunity, what does an entrepreneur required to ensure? Give any two points.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Good market for his product 2. Attractive rate of return 	2
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 two features of such a form of business organisation.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Sole proprietorship 2. a. individual ownership b. individual financing <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>	3

	<p>Ans:</p> <ol style="list-style-type: none"> 1. Capital and members 2. Select a suitable name 3. Form a deed (explain each) or any other relevant points 	
13	<p>State the process of vendor management.</p> <p>Ans:</p> <p>Searching for vendors—vendor selecting –negotiating contracts-obtaining quotes-evaluating performance -payment</p>	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"> 1. ready market 2. protect investors interest 3. genuine guidance about the securities listed 4. barriers of distance removed 5. knowledge of profit or loss on investments 6. dissemination of useful information 	$\frac{1}{2} \times 6=3$
15	<p>A stationary shop sells 30,000 pens per year. Purchase cost is ₹ 2 per pen, holding cost is 20%of the purchase cost, ordering cost is ₹15. Calculate EOQ from the details for stationary shop.</p> <p>Ans: Formula = $\sqrt{2PD/C}$</p> $= 2 \times 15 \times 30000 / 0.40$ $= 2250000$ $= 1500$ <p>Ans = 1500</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. Calculate gross and net working capital.</p> <p>Gross=stock+debtors+cash+shortterminvestments=50000+70000+100000+75000 =295000</p> <p>Current Liabilities :creditors+dividend+short term loans=30000+45000+60000=135000 Net= Gross – Current = 295000 -135000 =160000 (1+1+1=3)</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</p>	4

	<p>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 financing to seek venture capital finance after the one discussed above</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. start up 2. second round 3. third stage 4. fourth (explain each) <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> <p>Ans:</p> <ol style="list-style-type: none"> 1. increasing accountability 2. maintain dividend and profit growth 3. follow government rules 4. loss of privacy or any other points (4x1=4) 	
17	<p>It is a paid form of communication designed to persuade potential customers to choose the product or service over that of a competitor.</p> <p>Identify the concept and mention four responses from the customers due to an effectiveness of the concept identified.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Advertisement 2. AIDA- Attention, Interest ,Desire and Action 	1+3
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"> 1. from customers, retailers, wholesalers 2. record of companies 3. government publications 4. publications of various financial institutions <p>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:</p> <ol style="list-style-type: none"> 1. develop a new product or service 2. improve existing product or service 3. find a new process 4. find a new market 	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</p>	4

	<p>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"> Product identification Co-operative societies Women empowerment Social responsibility 	
20	<p>Explain ABC Analysis of Inventory Control.</p> <p>Ans:</p> <ol style="list-style-type: none"> It's a inventory control technique by Vilfredo Pareto It's based on principle '80/20'. It categorizes items in to <ol style="list-style-type: none"> 80% consumption value (20 % inventory) 15% consumption value (30% inventory) 5% consumption value (50%inventory) <p>Or</p> <p>What is Cash Conversion Cycle? Explain the stages with a diagram.</p> <p>Ans:</p> <ol style="list-style-type: none"> It is a length of time between a firms purchase of inventory and the receipt of cash Reefer text book page 192, (1+3=4) 	4
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. (b) Identify anyone value which 'Jagriti Ltd' wanted to communicate to the society</p> <p>Ans:</p> <ol style="list-style-type: none"> Vertical Merger (explain) 	3+1

	b. Protect environment																																																										
22	<p>Describe the process of testing ideas for assessing their opportunity potential.</p> <p>Ans:</p> <ol style="list-style-type: none"> 1. Product identification 2. Application and use 3. Level of operation 4. Cost 5. Competition 6. Technical complexity 	<p>6 x1 =6</p>																																																									
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 (b) Return on Equity for Raj Singh</p> <table border="1"> <thead> <tr> <th colspan="3">SOURCES OF FUND</th> </tr> <tr> <th></th><th></th><th>AMOUNT</th> </tr> </thead> <tbody> <tr> <td>EQUITY</td><td></td><td>1000000</td> </tr> <tr> <td>DEBT</td><td></td><td>1500000</td> </tr> <tr> <td>TOTAL INVESTMENT</td><td></td><td>2500000</td> </tr> <tr> <td colspan="3">INCOME STATEMENT FOR ONE YEAR</td> </tr> <tr> <td>SALES</td><td>1700000</td><td>20400000</td> </tr> <tr> <td>LESS COGS</td><td>900000</td><td>10800000</td> </tr> <tr> <td>GROSS MARGIN</td><td></td><td>9600000</td> </tr> <tr> <td colspan="3">FIXED EXPENSES</td> </tr> <tr> <td>SALARY (X 12)</td><td>300000</td><td>3600000</td> </tr> <tr> <td>RENT (X 12)</td><td></td><td>0</td> </tr> <tr> <td>DEPRECIATION &AMORTISATION - ANNUAL</td><td></td><td></td> </tr> <tr> <td>INTEREST -ANNUAL</td><td>6</td><td>90000</td> </tr> <tr> <td>DEPRECIATION &AMORTISATION - ANNUAL</td><td></td><td></td> </tr> <tr> <td>TOTAL FIXED EXPENSES</td><td></td><td>3690000</td> </tr> <tr> <td>PROFIT BEFORE TAX</td><td></td><td>5910000</td> </tr> <tr> <td>TAX @14 %</td><td>25</td><td>1477500</td> </tr> <tr> <td>PROFIT AFTER TAX</td><td></td><td>4432500</td> </tr> </tbody> </table>	SOURCES OF FUND					AMOUNT	EQUITY		1000000	DEBT		1500000	TOTAL INVESTMENT		2500000	INCOME STATEMENT FOR ONE YEAR			SALES	1700000	20400000	LESS COGS	900000	10800000	GROSS MARGIN		9600000	FIXED EXPENSES			SALARY (X 12)	300000	3600000	RENT (X 12)		0	DEPRECIATION &AMORTISATION - ANNUAL			INTEREST -ANNUAL	6	90000	DEPRECIATION &AMORTISATION - ANNUAL			TOTAL FIXED EXPENSES		3690000	PROFIT BEFORE TAX		5910000	TAX @14 %	25	1477500	PROFIT AFTER TAX		4432500	<p>4+1 +1= 6</p>
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ROI	PAT/TOTAL INVESTMENT *100	177.30
ROE	PAT/EQUITY *100	443.25

Note- 4 marks for steps and 1 mark each for ROI and ROE

Or

Following information is related to sales mix of a product A,B and C

Product	A	B	C
Sales price per unit	₹15	₹21	₹36
Variable Cost per unit	₹9	₹14	₹19
Sales Mix Percentage	25%	20%	55%

Fixed cost ₹40000

Calculate the break-even point in units and in rupees.

BEP IN UNITS = $40000/12.25 = 3265$

A= 816

B=653

C=1796 (3 marks)

BEP IN RUPEES :

A. $816 \times 15 = 12240$

B. $653 \times 21 = 13713$

C. $1796 \times 36 = 64656$ (3marks)

24 It is the method to spread the word about the product or service to customers, stakeholders and the broader public.

Identify the concept and explain the various approaches that company can use in this regard.

Ans:

1. Promotion strategy
2. Approaches:
 - a. Above -the -line
 - b. Below -the -line
 - c. Through -the -line (explain each)

Or

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:

1. Public Relation

1+2
+2+
1=6

	2. Tools: news creation and distribution, speeches and presentation, community activities ,annual reports, educational programme.(any 5 points) (1+5=6)	
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