



COMMON PRE-BOARD EXAMINATION 2022-23



Subject: ENTREPRENEURSHIP (066)

ANSWER KEY

CLASS: XII

Date: 12-01-2023

Time: 3 hours

Max Marks: 70

General Instructions:

1. The question paper contains 4 sections - A, B, C and D
 - 1.1. Section A contains Multiple choice questions
 - 1.2. Section B - 2 marks
 - 1.3. Section C - 3 marks
 - 1.4. Section D - 5 marks
2. Internal choice is given in the paper, there is no overall choice.

S. No.	Question	Marks
Section A		
1	<p>Roy, 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 applied to develop new products and services'. Three ways in which creative ideas can be generated are</p> <ol style="list-style-type: none">1. Develop a new product or service.2. Improve an existing product or service3. Find a new process or resource for manufacturing a product. <p>a. Both 1,3 b. All 1, 2, 3 c. Both 2,3 d. Only 1</p>	1
Ans	d. Idea developed after environmental scanning	1
2	<p>Ron started a Super Specialty Store, 'Sampada'. It's products are sourced from hand-picked suppliers. These products are sold under Sampada's own brand. Its promotion strategy is very specific and focuses on targeted groups of customers. The purpose of this promotion strategy is to develop the brand 'Sampada' by creating awareness among the customers. To do this, Sampada's Facebook and Twitter pages encourage two-way communication with customers. These social media channels provide a platform through which Sampada</p>	1

	<p>can interact with customers. It can then assess their opinions about the brand. Identify the promotion strategy adopted by Sampada.</p> <p>a. Above-the-line b. Below-the-line c. Through- the line d. All of the above</p>											
Ans	b. Below-the-line	1										
3	<p>Parthiv is the owner of Diya Stores dealing in grocery items. He has an equity stake of ₹ 4,00,000 in the business. He has borrowed of ₹ 6,00,000 from State Bank of India @10 % interest. His net profit for the year is ₹ 1,40,000. The Return on Equity for Parthiv will be?</p> <p>a. 20% b. 25% c. 150% d. None of these</p>	1										
Ans	a. 20%	1										
4	<p>Given below are types of mergers with examples of each. Match them correctly.</p> <table border="1"><thead><tr><th>Column A- Types of Mergers</th><th>Column B- Examples</th></tr></thead><tbody><tr><td>i. Vertical Merger</td><td>a. A watch manufacturer acquiring a cement manufacturer</td></tr><tr><td>ii. Market Extension merger</td><td>b. Bank of Madura merged with ICICI Bank</td></tr><tr><td>iii. Conglomerate Merger</td><td>c. A textile company acquires a cotton yarn manufacturer</td></tr><tr><td>iv. Horizontal Merger</td><td>d. Hindustan Unilever Company acquired Lakme, it helped HUL to enter the cosmetics market</td></tr></tbody></table> <p>a. i-a ,ii-b ,iii- c ,iv-d b. i-c ,ii-b ,iii- a ,iv-d c. i-a ,ii-c ,iii- b ,iv-d d. i-c ,ii-d ,iii- a ,iv-b</p>	Column A- Types of Mergers	Column B- Examples	i. Vertical Merger	a. A watch manufacturer acquiring a cement manufacturer	ii. Market Extension merger	b. Bank of Madura merged with ICICI Bank	iii. Conglomerate Merger	c. A textile company acquires a cotton yarn manufacturer	iv. Horizontal Merger	d. Hindustan Unilever Company acquired Lakme, it helped HUL to enter the cosmetics market	1
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Ans	d. i-c ,ii-d ,iii- a ,iv-b	1 mark for correct answer										
5	<p>Following are the balances of current assets and current liabilities of X Ltd., Cash – ₹ 20,000; Outstanding Expenses- ₹ 5000; Creditors- ₹ 15,000; Debtors- ₹ 50,000; Short term loans- ₹ 4000; Short term investments- ₹ 30,000; Long term loans- ₹ 1,00,000, Stock- ₹ 70,000. Calculate the Gross Working Capital of X Ltd.</p>	1										

	a. 147000 b. 126000 c. 146000 d. 170000	
Ans	c. 146000	1
6	<p>Regina is a small entrepreneur involved in the manufacturing of fans. She finds that the total cost of production of one fan is ₹ 1000. She decided to have a margin of 15% as profit. Later to increase her market share and with an expectation to create goodwill among early adopters segment, she adopted method of pricing where the price is consciously fixed at a low level to cover a large area of market. The adopted pricing strategies are:</p> <ol style="list-style-type: none"> 1. Cost-plus pricing 2. Skimming pricing 3. Penetration pricing 4. Competitive pricing <p>a. 1,2 b. 2,3 c. 3,4 d. 1,3</p>	1
Ans	d. 1,3	1
7	<p>Dhruv first established Tanvi Foods in Coimbatore, as a partnership firm in early 2016 with his wife Brindha Vijaykumar and started with mango and apple juices. The business did well in the first year with a turnover of Rs 40 lakh, and since then its revenue has been growing. While the main concentrate of the drinks is made at the company's own 4,000 sq ft manufacturing unit in Coimbatore, the final product and bottling is done at third-party units (TPUs) in Coimbatore, Krishnagiri, Dharmapuri, Chennai, Puducherry, Mysuru, and Aurangabad. This has enabled them to scale up fast without needing much capital. What kind of manufacturing operation is followed in Tanvi Foods?</p> <p>a. No manufacturing involved b. Partial manufacturing c. Complete manufacturing d. Complete outsourcing</p>	1
Ans	b. Partial manufacturing	1
8	<p>Vinit devised an apparatus to measure the quality of air at home which can be fitted in any Air conditioner and the air conditioner can become an air purifier as well. His product is still in the pre-commercialization stage. Vinit wants to exclude others from making, using, selling and importing this apparatus. The intellectual property right which Vinit will have to obtain is:</p> <p>a. Patent</p>	1

	b. Copyright c. Trademark d. Industrial Design	
Ans	a. Patent	1
9	Shinoj enterprise uses 500 units of an item per day and the order lead time is 7 days. Re-order level will be a. 1000 units b. 500 units c. 3500 units d. None of these	1
Ans	c. 3500 units	1
10	Assertion (A): Needs and problems exists in the environment. Reason (R): Opportunity is spotted by analyzing the environment. a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A) c. Assertion (A) is true but Reason (R) is false. d. Assertion (A) is false but Reason (R) is true.	1
Ans	b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)	1
11	The only reward the IPO investors seek in an appreciation of their investment is _____ a. Profit b. Reward c. Dividend d. None of these	1
Ans	c. Dividend	1
12	Assertion (A): The franchisee usually enters into a business that has an accepted name, product or service. Reason (R): The franchisee does not have to spend resources trying to establish the credibility of the business. a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)	1

	c. Assertion (A) is true but Reason (R) is false. d. Assertion (A) is false but Reason (R) is true.	
Ans	a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
13	Assertion (A): Different products will have different operating cycle. Reasoning(R): If the conversion takes longer then the cycle will be longer. a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A) c. Assertion (A) is true but Reason (R) is false. d. Assertion (A) is false but Reason (R) is true.	1
Ans	a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
	Read this situation carefully and find out the answers for questions from 14 to 18. Biju, a fitness freak NRI, had done his masters in nutritional sciences from U.K., during his vacations, he was disappointed to see that no Gymnasium in Delhi had a workout module to suit his requirement. Anyhow, Fitness Fine Gymnasium of his friend offered him freedom to exercise the way he wanted. In short time, Biju became popular amongst the other members because of his knowledge, experience, competency, tactics and tips on exercising. He now explored deeply his curiosity of starting a Gymnasium in Greater Kailash 2, having a fusion of both diet and exercise under one roof. He conducted a market research and subconsciously assimilated a whole data bank of information pertaining to lifestyle, interests, etc. of people in and around the area. He approached his father for financial help of Rs. 35 lacs as he had Rs. 20 lacs only. The ground floor of his flat was to be converted into a Gymnasium. He started networking and negotiating with the manufacturers who could provide him with customized machines of his choice. "One of the first task demanded of an entrepreneur is to manifest creative ability through the conceiving of new product-market propositions".	
14	"One of the first task demanded of an entrepreneur is to manifest creative ability through the conceiving of new product-market propositions". It is the first stage in the process of innovation, which provides stimulus for opportunity discovery and new creation. Identify this process being initiated by Biju. a. Environmental Scanning b. Innovation c. Idea Fields d. Creativity	1
Ans	d. Creativity	1

15	<p>"Looking at the statistics.... concern for fitness," acted as the seeding stage for his idea of launching hi tech gymnasium. It is this stage where the entrepreneur recognizes the existing of an opportunity. Which step in the process identified in (14) does this indicate?</p> <p>a. Preparation b. Idea germination c. Resource Organization d. Implementation</p>	1
Ans	b. Idea germination	1
16	<p>"Therefore he approached ...machines." is the step where now Biju is now trying to give his idea a practical shape through a viable plan by collection of raw materials, arranging for funds, negotiating so as to implementing his idea. Which step in the process identified in (14) does this indicate?</p> <p>a. Illumination b. Verification c. Commercial Application d. Analytical Planning</p>	1
Ans	a. Illumination	1
17	<p>As on the basis of the idea interest and curiosity the need is adjusted by the entrepreneur next and he starts looking for the answer to implement the idea Biju conducted a market research in and around the target market to for see the future of his idea. Which step in the process is this?</p> <p>a. Commercial Application b. Perceiving and sensing opportunities c. Preparation and Incubation d. None of these</p>	1
Ans	c. Preparation and Incubation	1
18	<p>Which is the last step in the process identified above?</p> <p>a. Preparation b. Verification c. Illumination d. Commercial application</p>	1
Ans	b. Verification	1
Section B		
19	State any two drawbacks associated with non- registration of partnership firm?	2

Ans	<p>Consequences for non-registration of a partnership firm: Partnership firms in India are governed by the Indian Partnership Act, 1932. While it is not compulsory to register your partnership firm as there are no penalties for non-registration, it is advisable since the following rights are denied to an unregistered firm:</p> <ol style="list-style-type: none"> 1) 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 right conferred by the Partnership Act. 2) A right arising from a contract cannot be enforced in any Court by or on behalf of the firm against any third party. 3) Further, the firm or any of its partners cannot claim a set off (i.e. mutual adjustment of debts owned by the disputant parties to one another) or other proceedings in a dispute with a third party 	1+1 for any two drawbacks
	OR	
	Explain any two features of a Joint Stock Company.	2
Ans	<p>Characteristics of a company (any two)</p> <ol style="list-style-type: none"> 1) Voluntary association At least two persons, voluntarily, must join hands to form a private company, while a minimum of seven persons are required for a public company. 2) Artificial person A company is created by law. Though, it has no body and no conscience, it still exists as a person, having a distinct personality of its own. Because like a human being it can buy, sell and own property, sue others, be sued by others, hence called as an artificial person. 3) Separate legal entity A company has an independent status, different from its members. This implies that a company cannot be held liable for the actions of its members and vice-versa. Company has a distinct entity separate from its members. 4) Common seal Being an artificial person, company cannot sign the documents. Hence, it uses a common seal on which its name is engraved. Putting the common seal on papers is equivalent to that of signatures of a human being, making them binding on the company. 5) Limited liability The liability of the shareholders of a company is normally limited to the amount of shares held or guarantee given by them. 6) Transferability of shares No shareholder is forever wedded to the company. Subject to certain conditions, the shares are freely transferable. The private companies do impose some restrictions on the transfer of shares. 7) Diffusion of ownership and management In this form of organisation, entrepreneur should clearly understand that there exists separation of ownership from management. As the shareholders could be scattered across the country, they give the right to the directors to manage the company's affairs. 	1+1 for any two characteristics
20	What do you understand by acquisition? Name any two types of acquisitions.	2
Ans	<p>Acquisition means a company buying most, if not all, of the target company's stakes in order to assume control of the target firm.</p> <p>Types of acquisitions:</p> <ol style="list-style-type: none"> i. Friendly acquisition: Both the companies approve of the acquisition under friendly terms. There is no forceful acquisition and the entire process is cordial. 	1+1 (½ mark each for types)

	<p>ii. Reverse acquisition: A private company takes over a public company.</p> <p>iii. Backflip acquisition: A very rare case of acquisition in which purchasing company becomes a subsidiary of the purchased company.</p> <p>iv. Hostile acquisition: The entire process is by force. The smaller company is either driven to such a condition that it has no option but to say yes to the acquisition.(Any 2)</p>	
21	<p>Go Green is a company manufacturing bottles using recycled plastics. They have set up pick up points all over the city and citizens are encouraged to sell their plastic products in these pick up points. This will save the environment in the long run. Also, it will promote ideology of 'Swachh Bharat'. It will generate good revenue for the company as it sources its raw materials from the general public from whom the used plastic products are a scrap. Identify and state any two macro environment factors affecting the environment in the above case.</p>	2
Ans	<p>Ecological- concern over environmental factors</p> <p>Economic- it includes interest rates, inflation, business cycles, unemployment, disposable income, energy, availability and cost</p>	1+1
22	<p>Read the following text and answer the questions based on it. Gopal was a chemical engineer working for a company selling insect killer spray by the name 'Mosquito Hunter'. He was aware that this product is not good for health and could harm the health of the users. Thus, he was constantly looking for ways to improve the product. Filled with innovative zeal and enthusiasm, he worked hard and developed a mosquito repellent which produces sonic waves to drive away mosquitoes. It is non-smoky and does not emit any kind of fragrance or odour. It was safe to use as the sonic waves do not affect human beings or plants. He decided to name his product as 'Good sleep'. The product was to be packed in a corrugated box with an extension cord as a free gift. Its price was fixed at Rs.300 per unit. The box will display all the necessary information such as ingredients list, weight, manufacturing date, expiry date et cetera a replacement warranty for one year will be given as an introductory offer. He decided to sell this product through agents who will sell to both, the wholesaler and retailer depending upon the market to be catered.</p> <p>a) Which element of marketing is highlighted in the following lines used by Gopal? "He decided to name his product as Good sleep;"</p> <p>b) Which element of marketing is highlighted in the following lines used by Gopal? "The product was to be packed in a corrugated box with an extension code as free gift."</p>	2
Ans	<p>a. Product mix – branding : Product is anything offered to a market for attention, acquisition or consumption. If the products are sold in generic name , it would be difficult for marketers to distinguish from competitors. Therefore marketers give a brand name to their products.</p> <p>b. Packaging: It enables companies to achieve competitive advantage.</p>	1+1
	OR	
	<p>Source based question Source: Economic Times, January 31, 2020 'Memes have emerged as a lucrative profession for its creators. Last week, when Zomato acquired UberEats, competitors took no time to engage with users through this new-age content marketing</p>	2

	<p>tool, which had become an instant hit when it began life on social media a few years ago. However, generating memes on Instagram, TikTok and Facebook is now starting to become an integral part of marketing budgets for brands that want to stay relevant and topical online. These brands are using popular meme pages such as Laughing Colours, Confused Atma and Sarcastic Indian across social media. A consumer brand spends Rs 1,000-50,000 on a meme. A page with a million likes charges Rs 1,000-Rs 1,500 for visibility on Facebook and around Rs 3,000 for Instagram, creators said. And, depending on the category of influencers, TikTok charges between Rs 5,000 and Rs 3 lakh. Earlier, meme pages used to make money mainly through Google advertisements, videos or cross promotions. Today, they rack up anywhere between 10 lakh and Rs 4-6 crore in yearly turnover. Some brands that have been active with meme marketing include One Plus, Truecaller, Dream11, LG and Big Bazaar, apart from big players in the ecommerce and soft-drinks space. Brands use memes for promotions, taking a dig at competition, and for product launches. The demand for memes as a marketing tool increases ahead of festive seasons and occasions like the Cricket World Cup or Indian Premier League matches. Usually, a brand engages with meme creators for two-three memes a week.' In context of the above article, answer the following questions:</p> <ol style="list-style-type: none"> 1. Identify and explain the component of marketing mix enumerated in the above article. 2. Explain in detail any two elements of the component of marketing mix identified in (1) above. 	
Ans	<ol style="list-style-type: none"> 1. Promotion - This refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. 2. Promotion mix- Advertising -Advertising is a form of communication designed to persuade potential customers to choose the product or service over that of a competitor. Successful advertising involves making the products or services positively known by that section of the public most likely to purchase them. Personal selling - It means selling products personally. It involves oral presentation of a message in the form of conversation with one or more prospective customers for the purpose of making sales. Companies appoint salespeople to contact prospective buyers and create awareness about the company's product. Thus, a sales person plays three different roles: a. Persuasive role b. Service role c. Informative role Sales promotion - Sales promotion relates to short term incentives or activities that encourage the purchase or sale of a product or service. Public relations - It is about building good relations with the stakeholders (public) of the business by obtaining favourable publicity, building a good corporate image and handling or heading off unfavourable rumors, stories and events. By building good relationships with the stakeholders, particularly customers, a company can generate positive word of mouth and referrals from satisfied customers.(Any 2) 	1+1
23	<p>Divya, a graduate of Horticulture from Kurukshetra university came across a barren land near Solan when she visited this place. Divya was fond of strawberries and was inquisitive to understand the reason why strawberries could not be grown there. She took this as a challenge and believed in its success. Best quality strawberries now mark the beauty of that barren piece of land.</p> <ol style="list-style-type: none"> a. Identify and explain the idea field from where the idea has been generated. 	2

	b. Also explain and give one example for any other idea field which may generate useful product ideas.	
Ans	<p>a. Natural resources: Ideas can be generated on the basis of natural resources.</p> <p>b. Existing product or services: Great business idea combines skills with imagination and market demand eg: improved packaging chips.</p> <p>Market Driven or demand driven : One important method of generating ideas is to carry out market research eg: need for smart phones</p> <p>Trading related: Trading these days are not confined to ordinary grocery or distributor outlet. Eg: Flipkart</p> <p>Service Sector: It is growing worldwide due to advancements in information and technology. Eg: Career counselling centres.</p> <p>Creative efforts: Apart from applying creativity to spot and harness opportunities, it can be to develop new product and services. Eg: flat screen TV (Any 1)</p>	1+1
24	Raghav is a very creative person and has always been working on innovating products and services that can make living healthy and hygienic. He developed a design of an air conditioner with an inbuilt air purifier as well. Since he did not get any financial support from any bank, he approached Nirvana Vent (VC), a venture capitalist firm. Though VC liked the idea but it refused to help Raghav at the seeding stage and asked him to come again if needed during second round financing. Why was seed capital not given by VC when it was ready to fund the second round financing?	2
Ans	<p>Venture capitalists are typically very selective in deciding what to invest in and as a rule of thumb:</p> <p>1) They may invest in one in four hundred opportunities presented to it,</p> <p>2) Looks for the extremely rare, yet sought after qualities, such as: a) innovative technology, b) potential for rapid growth, c) a well-developed business model d) an impressive management team.</p> <p>3) Looks for an "exit" in the time frame of typically 3-7 years.</p> <p>4) Is inclined towards ventures with exceptionally high growth potential. The VC do not fund for seed capital as its result and return both are not sure.</p>	$\frac{1}{2} + \frac{1}{2} + \frac{1}{2} + \frac{1}{2}$
	OR	
	<p>"It is an organized mechanism meant for effective and smooth transfer of financial resources from the investors to the entrepreneurs."</p> <p>(a) Identify the mechanisms and list its different types.</p> <p>(b) Explain any two points of its importance to entrepreneurs.</p>	2
Ans	<p>a. Capital market (Explain)</p> <p>b. i. Mobilize financial resources on a nation-wide scale.</p> <p>ii. Secure the required foreign capital and know-how.</p> <p>iii. Ensure the most effective allocation of the mobilized financial resources by directing the same either to such projects with higher yield.</p>	1+1
Section C		
25	Identify and explain the type of pricing method used by the following companies.	3

	<p>A. Toothcare, a new brand in the field of toothpastes decided to launch their small packs at a cost of Rs. 5 only which will be sold in the rural market to capture more market share.</p> <p>B. Drinko Ltd., decided to sell their new energy drink initially only in the urban market. The Marketing and Finance team decided together that 200 ml tetra pack will be sold at Rs. 10 and 1000 ml will be sold at Rs. 40.</p> <p>C. Bukno, a startup firm in the field of Artificial Intelligence decided to sell their voice enabled vacuum cleaner in the market for Rs.1,00,000 for a limited time period to cover the initial research and development costs.</p>	
Ans	<p>A. Penetration pricing: It is a pricing strategy where the price of a product is initially set at a price lower than the eventual market price, to attract new customers. The strategy works on the expectations that customers will switch to the new brand because of the lower price.</p> <p>B. Variable price method: Variable pricing is a marketing approach that permits different rates to be extended to different customers for the same goods or services. It may come into play when the customer is committing to the purchase of large volumes of goods or services.</p> <p>C. Creaming or skimming: Goods are sold at higher prices so that fewer sales are needed to break even. Selling a product at a high price, sacrificing high sales to gain a high profit is therefore "skimming" the market. Skimming is usually employed to reimburse the cost of investment of the original research</p>	1 +1+1
26	<p>RB Industries Ltd. had a team of professionals and experts to draft a comprehensive yearly document with all the relevant details of internal and external elements in managing the venture. This document acts as a decision-making tool for the management. The Chief Executive Officer of the company always pays special focus on one element of this document that ensures the orderly flow of materials from raw state to finished product with a proper system of quality control, as according to him 'work your plan' is more important than 'plan your work'.</p> <p>(a) Identify and explain the 'comprehensive yearly document' being prepared by RB Industries.</p> <p>(b) Identify and explain the element that is the priority of the CEO of the company.</p> <p>(c) Why is the element as identified in (b) important? (Any 2 reasons)</p>	3
Ans	<p>a) Business plan – It is a comprehensively written document prepared by the entrepreneur describing formally all the relevant external and internal elements involved in starting a new venture.</p> <p>b) Operational plan – It is a system whereby there is achieved a smooth and coordinated flow of work within the factory. It organizes for the movement of material, performance of machines and operations of labour, sub-divided into a defined direction co-ordinating for the desired manufacturing results.</p> <p>c) Importance: (any two) i) Ensuing orderly flow of materials in the manufacturing process from the beginning (raw state) to the end (the finished products)</p> <p>ii) Facilitating continuous production, lesser work-in-progress, minimization of wastage.</p> <p>iii) Coordinating the work of engineering, purchasing, production, selling and inventory management. iv) Describing the flow of goods / services from production point to the consumers. v) Introducing a proper system of quality control. vi) Undertaking the best and most economic production policies and methods.</p>	1+1+1

	OR	
	<p>AB Ltd., manufacturing light bulbs decided to start manufacturing of ceiling fans. They formed a sister concern by the name 'Cool Air Ltd'. The new company was in need of some investment and for the same they had approached a bank. They had submitted a business plan to the bank stating all the necessary details. They had mentioned very clearly in the plan that they will be manufacturing the blades and have decided to outsource the required motor parts. The plan spoke about the reason for outsourcing along with the contracts with subcontractors.</p> <p>a. Explain the Component of the business plan along with its related sub part b. Also state the other sub- parts of the business plan identified in (a).</p>	3
Ans	<p>a. Production plan - partial manufacturing Production, the most important activity of an enterprise, because it is here that transformation of raw material into finished product takes place with the help of energy, capital, manpower and machinery.</p> <p>Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe:</p> <p>i) Name and location of subcontractor(s) ii) Reasons for their selection iii) Cost and time involved iv) Any contracts that have been completed etc. In such cases, a clear mention of what the entrepreneur intends to do himself and what he plans to get it done from outside is required.</p> <p>b. i. No manufacturing involved: If the new venture does not include any manufacturing function, say it's a trading firm or a service provider.</p> <p>ii. Complete Manufacturing: If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe: i) the physical plant layout, ii) the machinery and equipment required to perform the manufacturing operations, iii) raw materials and suppliers names, addresses, terms and conditions, iv) cost of manufacturing v) any future capital equipment required etc.</p>	1 + 2
27	<p>United Ltd. and Nahata Communications provide cable TV network in adjacent areas of Delhi. After sometime the market was slowly taken over by big cable companies. Both United Ltd. and Nahata Communications understood the competition and decided to come together so as to increase their markets share. Their strategy helped them in cost savings through economies of scale as they could cover more areas now. It led to the overall growth of both the companies.</p> <p>a. Identify the enterprise growth strategy by the two. b. State any two benefits that the companies have after this arrangement.</p>	3
Ans	<p>a. Horizontal merger- A merger occurring between companies in the same industry. It occurs between firms which operate in the same space as competitors offering the same goods or service.</p> <p>b. *Synergy – It refers to increase in value of the combined entity. Forms – Operating synergy, financial synergy.</p> <p>*Acquiring new technology- To remain competitive, companies need to constantly upgrade their technology and applications.</p>	1+2

	<p>*Improved profitability – Companies explorer the possibilities of merger when they anticipate that it will improve their profitability.</p> <p>*Acquiring competency – To acquire competency or capability.</p> <p>* Access to funds, Entry to new markets , Tax benefits(Any 2)</p>	
28	<p>Bishal started a school bag business with his brother. Both were very excited about the new venture. With meticulous planning and lot of hard work they were able to sale 1000 bags in the first year. But they did not earn any profit. Both were very happy because they were not at loss and revenue generated was equal to the cost. Now they were moving towards earning profit in the second year.</p> <p>i) Identify the components of financial plan discussed above.</p> <p>ii) By giving any four points state how this component is useful for the entrepreneur.</p>	3
Ans	<p>i) Every firm wants to maximize its profits. The Breakeven point is that level of volume of production at which firm neither makes a profit nor a loss. Here, the total revenue is equal to the total cost of a firm, at the given level of capacity.</p> <p>II. Thus, calculation of BEP is quite useful for the entrepreneur as it helps in assessing: 1) The minimum level of output to be produced. 2) The effect of change in quantity of output upon the profits. 3) The selling price of the product. 4) The profitable options in line of production. Thus, the break-even analysis is a useful technique for determining how many units must be sold or how much sales volume must be achieved in order to break– even. It helps to indicate the volume of sales needed to cover total variable and fixed expenses by the new enterprise.</p>	1+2
29	Who are Angel Investors? State any four features of Angel Investors.	3
Ans	<p>a. Angel investors (Meaning)</p> <p>b. Features:</p> <ul style="list-style-type: none"> - Extremely high risk and subject too dilution from future investment rounds. - Objective to create companies by providing value creation. - Proactive, guidance. - Sharp inclination to keep abreast of current developments. 	1 + 2 (½mark each for features)
	OR	
	When an entrepreneur decides to go public and become a public company, he/she tends to be in advantageous positions and get many benefit out of it. Explain any three benefits.	3
Ans	<p>Benefits: 1) Access to capital: The primary advantage an entrepreneur stands to gain by going public is access to capital. In addition, the capital does not have to be repaid and does not involve an interest charge.</p> <p>2) Other advantages i. Mergers and acquisitions: Public stock of a company can be used for businesses to grow through acquisitions.</p> <p>ii. Higher valuations: Public companies are typically valued more than private companies. iii. Benchmark trading price: The trading price of a public company's stock serves as a benchmark of the offer price of other securities.</p> <p>iv. Capital formation: Raising capital later is typically easier because of the extra liquidity for the investors. v. Less dilution: There is less dilution of ownership control</p>	1+1+1

	compared to an IPO. (Any 3)	
Section D		
30	<p>Read the following text and answer the questions based on it.</p> <p>In 1954 a man named Ray Kroc visited a small restaurant in San Bernardino, California, where he admired a good and quick service, which dealt with a large number of customers. The restaurant belonged to the brothers Maurice and Richard Mc- Donald, who, thanks to a small number of meals, low prices and streamlining of activities in the kitchen, increased the speed of customer service. Ray Kroc contacted the brothers, from whom he got the permission to use their sales system and name. These events caused that in 1955 in Des Plaines, Illinois the first restaurant was opened, what gave rise to the entire chains of McDonald's restaurants. Nowadays, it is the largest chain of fast-food restaurants today with a very established and valuable trademark. The main drive behind this success and rapid expansion was the franchising strategy, which helped them easily penetrate new markets and enlarge their target markets. Around 70 percent of the current McDonalds restaurants are run as independent franchisees. The first franchised outlet was opened in the UK in 1986; however, there are now over 31,000 McDonald's restaurants in over 119 countries. The major marketing moment for McDonald's was provided by Ray Kroc, and the brand continues to be a major success by the hard work of its family of employees, suppliers, and franchisees. McDonald's for years have continued with an extensive advertising campaign targeting children, healthy food, and convenience.</p> <p>a) Identify the growth strategy adopted by Mc Donalds.</p> <p>b) Identify and explain the section of the franchisee agreement that details the guideline that the franchisee must legally follow.</p> <p>c) Explain the type of franchising, a company provides a business owner with a proven method for operating a business using the name and trademark of the company.</p> <p>d) Mention any two advantage of franchising to the franchisor</p>	5
Ans	<p>A) Franchising: In this form, the manufacturer or the sole distributor of a trademarked product or service gives exclusive rights to the local distribution to the individual retailers so as to earn the royalties. This is done through the franchise agreement,</p> <p>B) Operations Manual : details guidelines that must be legally followed in operating the business.</p> <p>C) Business Format franchise opportunity : assistance to business owner in starting and managing the company.</p> <p>D) Quick expansion Cost advantages</p>	1+1+1+2
OR		
	<p>Slurppy is a new mixed fruit juice introduced by Amit Beverages Ltd. The mixed fruit juice has been fortified using various vitamins and minerals. The company designed a unique package for the product which made it very attractive. Their sales figures were an indication of their success. In order to capture huge market share, they decided to give exclusive rights to retailers to manufacture and sell the product to the public.</p> <p>a. Identify and explain this concept.</p>	5

	b. State the ingredients of the concept identified in (a).	
Ans	<p>a. Manufacturing franchise opportunity: These types of franchises provide an organization with the right to manufacture a product and sell it to the public, using the franchisor's name and trademark. This type of franchise is found mostly in the food and beverage industry. Most bottlers of soft drinks receive a franchise from a company and must use its ingredients to produce, bottle and distribute the soft drinks.</p> <p>b.</p> <ol style="list-style-type: none"> 1. Contract Explanation: This part, of the agreement outlines the type of relationship a franchisee is going to have with the franchisor. 2. Operations Manual: It is the section of the agreement that details the guidelines that the franchisee must legally follow. Amendments may be made from time to time and the franchisee has to adjust operations accordingly. The franchisee has to maintain the confidentiality. 3. Proprietary Statements: This part tells how the franchise name is to be used. What marketing and advertising procedures is required to follow. It also documents how much the franchisee will be required to contribute toward national advertising efforts. 4. Ongoing Site Maintenance: It includes the types and time frames regarding various maintenance items and upgrades that must be made to the franchisee's location. 	1+4
31	Evaluate the different options available for an entrepreneur to raise funds from the primary markets.	5
	<ol style="list-style-type: none"> 1. Public issue / going public: Public issue is the most popular method of raising capital these days by the entrepreneurs. This involves raising of funds directly from the public through the issue of prospectus. An enterprise organizing itself as a public limited company can raise the required funds commonly by preparing a prospectus. When an entrepreneur offers shares to the public for subscription, he/she is required to comply with all the restrictions and formalities pertaining to the initial issues, prospectus drafting and launch. 2. Rights issue: Rights issue is a method of raising additional finance from existing shareholders by offering securities to them on a pro-rata basis i.e. giving them a right to a certain number of shares in proportion to the shares they are holding. This method of issuing securities is considered to be inexpensive as it does not require any brokers, agents, underwriters, prospectus or enlistment. 3. Private placement: Private placement means the direct sale by a company of its securities to a limited number of sophisticated investors. Entrepreneurs, herein, raise funds by selling the issues mainly to the institutional investors like: i) Unit Trust of India ii) Life Insurance Corporation of India. Entrepreneurs both from public limited and private limited sector, bank heavily upon raising funds through the issue of varied financial instruments under this segment as at times they do not wish to disclose information to the open market. 4. Offer to employees: Stock options or offering shares to the employees has gained much popularity in many countries of the world. This method enables employees to become shareholders and share the profits of the company leading to: a) Higher efficiency b) Low labour turnover c) Low floatation cost 	1+1+ 1½+1½

32	<p>'I love New York' printed T-shirts are commonly available in markets. Anantnag-based Samabeg wanted to see similar T-shirts that celebrate Kashmiri culture. For most of her life, 29-year-old Samabeg had lived outside Kashmir. Raised in the Middle East, she went to the US for her education. But she wanted to return to Kashmir to give back something to Kashmir society. For this she joined groups on the networking site 'Kitter' to see what people are buzzing about and also, about the latest trends. She also started talking to customers and prospective customers on line. After doing on line surveys she launched 'Koshur-wear' an online brand that sells contemporary Kashmiri clothing and accessories.</p> <p>(a) Identify and explain the trend that helped Samabeg to set up 'Koshur-wear'.</p> <p>(b) Also, explain any other ways which may help Samabeg to spot the trend.</p>	5
Ans	<p>a. Talk trends They get involved in specific industry's trade association and attending events both online and offline. They also take advantage of social networking tools like social network websites and forums. They even start or join groups on the networks and see what people are buzzing about and about the latest trends. It's also important to talk to customers and prospective customers, both online and offline. They use social media or online surveys to get input on what customers are thinking, buying, craving and doing. They also use social network websites and forums to identify key influencers and trendsetters in their target markets.</p> <p>(b)1. Watch Trends: The entrepreneur spends some time simply watching and observing. Trade shows are a great place to get trend ideas, too even if they are not looking to buy product, they attend many shows simply to see what's hot.</p> <p>2. Read trends They regularly read the leading publications and websites affecting their business. This could include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.</p> <p>4. Think trends As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind." As they absorb and mull about what they've read, heard and observed, they'll start to make connections and observations that will lead to business-boosting insights.</p>	2+3
	OR	
	Explain any five various factors involved in sensing opportunities?	5
Ans	<p>The most important factors involved in the process are:</p> <p>a. Ability to perceive and preserve basic ideas: Spotting of an idea often triggers the process of sensing an opportunity. The following are the various sources which lead to the emergence of basic ideas.</p> <p>a) Problems: When a problem exists and an idea leads to a solution to resolve that problem, it emerges as a business opportunity.</p> <p>b) Change: A change in social, legal, technological aspects etc. leads to new opportunities to start a business.</p> <p>c) Inventions: Invention of new products or services leads to new business opportunities.</p> <p>d) Competition: Competition often results in emergence of new and better ideas that result in new business opportunities.</p>	3+1+1

	<p>e) Innovation: It includes creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.</p> <p>b. Ability to harness different sources of information: Various sources like magazines, journals, books, seminars, trade shows, family members, customers, friends etc help in getting information that helps in evolution of basic ideas. Bring together various sources of information and knowledge, and analyze it to the best possible extent. The analysis helps in the identification of the right opportunity to start a new business.</p> <p>c. Vision and creativity: Creativity in innovating a solution and vision. The entrepreneur should be able to creatively identify an idea to generate a valuable solution to a problem. Once the solution is identified their vision to convert the solution into business opportunity help them to move forward, overcoming all the obstacles. They constantly-a) overcome the adversity b) are able to exercise control over the business c) are capable of making significant difference.</p>	
33	<p>George Kutty runs an online business for gym equipment. Annual demand for the Waist Flexers is 16,000. The annual holding cost per unit is ₹ 48 and the cost to place an order is ₹ 1,500.</p> <p>a. Calculate the Economic order quantity of Waist Flexers.</p> <p>b. Calculate number of orders to be placed</p>	5
	<p>Economic Ordering Quantity = $\sqrt{2DP/C}$</p> <p>Where; 2 is constant</p> <p>D= Annual demand</p> <p>P= cost of placing the order</p> <p>C= Inventory holding cost/ carrying cost</p> <p>Thus as : annual demand(D) = 16,000</p> <p>Order cost(P) = ₹ 1500</p> <p>Annual carrying cost of 1 unit(C) = ₹ 48</p> <p>EOQ = $\sqrt{2 * 1500 * 16,000 / 48}$</p> <p>= $\sqrt{48,000,000 / 48}$</p> <p>= $\sqrt{10,00,000}$</p> <p>= 1000 Units</p> <p>c. No of orders to be placed = Average consumption / No of orders to be placed</p> <p>= $16000 / 1000 = 16$ orders</p>	<p>(½ mark for each formula, ½ for identification of P,D,C, 1 for each correct answer)</p> <p>(3½+1½ = 5 marks)</p>

34	<p>Source based question Source: bplans.com As said before, the financial plan is a snapshot of the current state of your business. With projections, it informs your short and long-term financial goals and gives you a starting point for developing a strategy. It helps you, as a business owner, set realistic expectations regarding the success of your business. You're less likely to be surprised by your current financial state and more prepared to manage a crisis or incredible growth, simply because you know your financials inside and out. And aside from helping you better manage your business, a thorough financial plan also makes you more attractive to investors. It makes you less of a risk and shows that you have a firm plan and track record in place to grow your business</p> <p>In context of the above article, answer the following questions:</p> <p>a. Define financial plan.</p> <p>b. Explain any four components of a financial plan.</p>	5
Ans	<p>a. A financial plan is a document containing a person's current money situation and long term monetary goals, as well as strategies to achieve those goals. A financial plan may be created independently or with the help of a certified financial planner.</p> <p>b. A) Proforma investment decisions: This part of financial plan relates to how the enterprise's funds are invested in different assets so that the enterprise is able to earn the highest possible returns on investment. The entrepreneur should mention investment required in for:</p> <p>i) Land and building ii) Machinery and plant iii) Installation cost iv) Preliminary expenses v) Margin for working capital vi) Expenses on research and development vii) Investment in short-term assets viz. raw material, level of cash, etc. This part helps to understand the total amount of finance required by the entrepreneur. Inadequate funds or excess funds, both have the capacity to severely damage the financial fortune of a business. Therefore, these decisions must be taken with utmost care.</p> <p>B) Proforma financing decisions: This section summarizes all the projected sources of funds available to the venture to raise finance. Typically, sources of funds are: i) owners i.e. Owner's funds ii) outsiders i.e. Borrowed funds The entrepreneurs job is to ensure the selection of the best overall mix of financing for the enterprise so that: a) the cost of capital and the financial risk stands minimized, b) return on investment and profitability stands maximized.</p> <p>C) Proforma income statement: The proforma income statement is the projected net profit calculated from projected revenue minus projected costs and expenses. Basically, it summarizes all the profit data during the first year of operations of the new enterprises.</p> <p>D) Proforma cash flow: Profit and cash flow are not the same, Proforma cash flow reflects the projected cash available with the enterprise as a result of subtracting projected cash disbursements from projected cash accumulations. Cash flows only when actual payments are received or made. Mere sale which might be on credit, will not generate cash.</p> <p>E) Proforma balance sheet: This document helps the enterprise to reflect the position of the business at the end of its first year. A summary of the projected assets, liabilities and net worth of the entrepreneur is depicted through proforma balance sheet.</p>	1+4

	<p>F) Break–even point: Every firm wants to maximize its profits. The Breakeven point is that level of volume of production at which firm neither makes a profit nor a loss.</p> <p>G) Economic and social variables: In view of the social responsibility of business, the abatement costs, i.e. the cost of controlling the environmental damage should also be stated in the plan. (Any 4)</p>	
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