

Sample Question Paper-1

(Issued by Board on 16th Sep., 2022)

ENTREPRENEURSHIP (066)

Class- XII

SOLVED

Maximum Marks: 70

Time Allowed: 3 hours

General Instructions:

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

Section – A

- Given below are the factors necessary for developing a successful idea. Identify the correct combinations from the given options. [1]

(A) Skills and Knowledge	(B) Trends and demand
(C) Skills, Knowledge and competencies	(D) Trends, demand and change
- 'Polymer Ltd' decided to diversify into manufacturing pipes and plastic household products apart from their water tanks business. Their finance and marketing department decided to adopt any of the two pricing strategies – [1]
 - adding a certain percentage of profit to the cost of production
 - selling at a lesser amount so as to capture a huge market. They put forward their funding strategy to the CEO.

The suggested pricing strategies are:

(i) Cost-plus pricing	(ii) Skimming pricing
(iii) Penetration pricing	(iv) Competitive pricing

(A) (i), (ii)	(B) (ii), (iii)
(C) (iii), (iv)	(D) (i), (iii)
- Which amongst the following values would help an entrepreneur to determine the Return on Investment? [1]

(i) Net Profit	
(ii) Gross Profit	
(iii) Inventory carrying cost per unit.	
(iv) Total Capital Invested	
(v) Weighted average contribution	

(A) (ii), (iii), (v)	(B) (i), (iv)
(C) (i), (ii), (iii)	(D) (ii), (iii)
- In the year 2012, the social media application "Chowpal" acquired "Socialite" at a purchase value of \$1 billion. Both the entities operated in the social media industry and offered similar products as part of their photo-sharing services. However, Chowpal intended to further bolster its market position in the social media space, and the acquisition of Socialite exactly fitted in its scheme of the plan. The merger eventually helped Chowpal in increasing its market share, eliminating competition, and gaining access to a wider audience. Identify the type of merger: [1]

- (A) Vertical merger
(B) Horizontal merger
(C) Market extension merger
(D) Product extension merger
5. Ashwin was working as Director Finance in Ambur Metal Works. Managing Director of the Company Kailash asked Ashwin to draft a proforma investment decision plan enlisting the funds which should be invested in different assets so that the company can get the highest possible returns. From the following identify the reason(s) that would help Ambur Metal Works.
- (i) It will help the company to understand the total amount of funds required.
(ii) It will also help the company to assess the situation as to whether they have excess or inadequate funds.
(iii) It helps the company to understand the various sources of funds.
(iv) It helps the company to reflect the position of the business at the end of every year.
- (A) i only
(B) i and ii only
(C) i and iii only
(D) i, ii, and iii only
6. Mayank, a small entrepreneur, is manufacturing LED lamps with the brand name 'Led-amps'. These lamps are in great demand. He finds that the cost of production per unit of the lamp is ₹ 800 and he can sell the same at ₹ 1000 per lamp. The competitors in the market are selling this type of lamp at the rate of 1200. Mayank's objective is not to earn profit in the short-run but to capture the largest market share. His expectation is that the customers will be attracted towards the new brand because of the lower price. Identify the method of pricing adopted by Mayank to capture the substantial portion of the market. [1]
- (A) Cost plus Pricing
(B) Penetration Pricing
(C) Skimming Pricing
(D) Variable pricing
7. Given below are information obtained from the balance sheet of PQR Ltd., What will be the gross working capital for PQR Ltd. for the year ending 31st March 2022? [1]
- Assets:
(in Rupees)
(i) Cash- 60,000
(ii) Stock- 50,000
(iii) Trade Debtors- 65,000
(iv) Short term investment- 15,000
- Liabilities:
(in Rupees)
(i) Short term loans- 25,000
(ii) Trade creditors- 5,000
(iii) Outstanding expenses- 10,000
- (A) 40,000
(B) 1,90,000
(C) 1,50,000
(D) 2,30,000
8. The entrepreneurs have an option to brand their product alpha-numerically, as it signifies: [1]
- (A) Chemical characteristics
(B) Physical characteristics
(C) Neutral characteristics
(D) Mathematical characteristics
9. A grocery owner has an equity stake of ₹ 40,000/- in the business. He has borrowed ₹ 60,000/- at the interest rate of 10% per annum. He made a net profit of ₹ 20,000/- in one year. What will be the Return on Equity for the grocery owner?
- (A) 20%
(B) 30%
(C) 35%
(D) 50%
10. **Assertion (A):** Customers are part of the micro environment.
Reason (R): Micro environment does not operate in isolation and is one of the levels of business environment. [1]
- (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.

- 11.** Who plays a very vital role as a financial intermediary? [1]
- (A) Primary Market
(B) Capital Market
(C) Stock Market
(D) Securities and Exchange Board of India.

- 12. Assertion (A):** In franchising there is usually a much higher likelihood of success when an individual opens a franchise as opposed to a mom-and-pop business.

Reason (R): It runs on a proven business formula that is already in place. [1]

- (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.
- 13. Assertion (A):** For a trading organization, the operating cycle will be shorter.
- Reasoning (R):** There is no manufacturing in a trading organization. [1]
- (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.

Read the following passage and answer the questions from 14 to question 18. [AI]

E-Commerce : The pandemic has given rise to a “homebody economy”, as households make more use of online orders to avoid crowds. Across Europe’s largest e-commerce markets - France, Germany, and the UK - purchase behaviour has evolved. According to a May study by Kantar, 9% of shoppers make more online purchases than before; 60% say they will continue to shop online after the outbreak; and 80% say they will shop online again for non-essential items.

Gaming : The pandemic has accelerated existing trends within the gaming industry, such as the way gamers purchase and consume, moving from packaged games to downloadable content. Another indicator of this shift, mobile apps in general have skyrocketed during the crisis and are expected to account for 48% of the global games market this year, according to Newzoo’s April study.

Automotive industry : As consumers regain the ability to travel in a post-lockdown world, they’ll also be more concerned with how to commute safely. Despite being caught in the grip of the Covid-19 pandemic, the automotive industry has been a surprising early riser post-confinement. Marketers have quickly realised that more consumers are exploring car ownership now that they want to reduce their use of public transport.

Blogging : Confined to their homes, most people have resorted to creating their own blogging services related to every field. Home cooks have emerged successfully creating their own reels. Many ready to cook food companies have resorted to advertising their products through these influential bloggers.

Finance : In the early stages of Covid-19, finance, and especially insurance services, saw a huge spike in page views as consumers wanted to ensure the safety and health of their families. Following the global financial uncertainty, consumer behaviour has shifted from a “now” mindset to one that prioritises the future - thinking more about how to invest and protect savings. As this crisis continues to evolve, finance will likely continue to be a high priority, and brands have started to identify the current mood and concerns of their customers through feedback, observations and are deciding as to how best to address them.

- 14.** ‘Cook-it-fast’ - a growing ready to cook product manufacturing company was looking into various means of advertising their products. The marketing team suggested approaching an influential food blogger who can use their products in their recipes. Which way of trend spotting does this indicate? [1]
- (A) Read Trends (B) Talk Trends
(C) Watch Trends (D) Think Trends

- 15.** “Play your way” a leading game developer company realised that they have to redevelop and enhance their app experience after reading the above article and listening to customer reviews as well observing the pattern of people downloading and using the “In Purchase Facilities” within the app. Which way of trend spotting does this indicate? [1]

- (A) Read Trends (B) Talk Trends
(C) Watch Trends (D) Think Trends
- 16.** "According to a May study by Kantar, 9% of shoppers make more online purchases than before; 60% say they will continue to shop online after the outbreak; and 80% say they will shop online again for non-essential items." Which way of trend spotting does this indicate? [1]
- (A) Read Trends (B) Talk Trends
(C) Watch Trends (D) Think Trends
- 17.** "Marketers have quickly realised that more consumers are exploring car ownership now that they want to reduce their use of public transport." Which way of trend spotting does this indicate? [1]
- (A) Read Trends (B) Talk Trends
(C) Watch Trends (D) Think Trends
- 18.** "As this crisis continues to evolve, finance will likely continue to be a high priority, and brands have started to identify the current mood and concerns of their customers through feedback, observations and are deciding as to how best to address them." Which way of trend spotting does this indicate? [1]
- (A) Read Trends (B) Talk Trends
(C) Watch Trends (D) Think Trends

Section – B

- 19.** State any two characteristics of partnership form of business organization. [2]

OR

Why is a private company more desirable than a public company. Give any two reasons. [2]

- 20.** The merger of Techno Fit and Let's Konnect was due to the rising competition with Arihant Tech. The market was slowly captured by Arihant Tech, due to its policy of providing free service in the first 6 months. Both Techno Fit and Let's Konnect couldn't stand the price war between the companies in the telecom sector and decided to come together so as to increase their market share. This strategy helped them in cost saving through economies of scale as they could cover more areas now. It led to the overall growth of both the companies.

Identify and explain the growth strategy adopted above by the telecom operators, Techno Fit and Let's Konnect. [2]

- 21.** Read the following newspaper article and identify and explain the elements in the PESTEL model which is present in this article.

India will ban the use of single use plastics from July 1 in order to prevent its harmful effects on environment and in pursuance of its global climate goals. The production, importation, stocking, distribution, sale, and use of certain single-use plastic items that have a low utility and a high potential for littering will henceforth be banned.

The items that face ban are plastic stirrers, plastic plates, plastic cups, plastic glasses, plastic cutlery like forks, spoons, and knives, plastic trays, wrapping or packaging films around candy boxes, balloon sticks made of plastic, flags made of plastic, candy sticks, ice-cream sticks, and polystyrene (Thermocol) for decorations.

The ministry announcement further stated that control rooms at the national and state levels must be established in order to monitor the unauthorized production, importation, stocking, distribution, sale, and use of items made of single-use plastic that are forbidden.

Plastic carry bags with a thickness of less than 75 microns are currently illegal to manufacture, import, stock, distribute, sell, and use, according to the Plastic Waste Management Amendment Rules, 2021. Plastic carry bags with a thickness of less than 120 microns will be forbidden as of December 31, 2022. [2]

[Source Economic Times June 28, 2022]

- 22.** "Successful launch of a product depends upon various factors. Entrepreneurs have to keep in mind the various ways of reaching the customers and persuade them to buy their products."
Comment on any two such methods used by an entrepreneur in attracting the customer to buy their product. [2]

OR

Varied reasons are cited by firms for joining hands with another company to enhance their growth. Analyse any two reasons for the same. [2]

- 23.** To be successful an entrepreneur needs to work on various areas. One such area is generation of ideas which is very crucial for the ultimate success of the firm. In order to streamline the generation of the ideas the entrepreneurs will have to use various convenient frames of reference.

Comment on any two such frames. [2]

- 24.** State any one advantage each for a company that opts for private placement and rights issue as a source to raise funds. [2]

OR

State the role of an angel investor in an entrepreneurial pursuit. [2]

Section – C

- 25.** Arpit, an entrepreneur, was short of capital. He was worried about the fact as to how he will reach out to his customers. He met his friend who is at present working in a start-up firm. He explained to Arpit a way to reach customers without any middlemen which will help him overcome the shortage of cash. So, Arpit decided to keep his channel of distribution simple as advised by his friend.

- (i) Identify the channel of distribution adopted by Arpit.
 (ii) Explain the channel of distribution mentioned above.
 (iii) Give any two of advantages of this type of channel. [3]

- 26.** What does the manpower plan help to assess? [3]

OR

Explain the first three steps involved in preparing the marketing plan [3]

- 27.** Kavita started a boutique named 'Stylo queens'. She replaced old sewing machines with the new one's during the pandemic to manufacture masks and PPE kits. Gradually her boutique became popular and seeing the swelled-up demand for her products she further installed extra machines to cater to the growing demand of the increasing customers. From the profits earned, she decided to further expand the business by starting a new business of cushion covers and bed sheets.

- (i) Identify the type of expansion mentioned above.
 (ii) What is the net result of such an expansion?
 (iii) Explain the expansion discussed above. [3]

- 28.** The entrepreneur should develop a sound financial plan as timely availability of funds in the right volume is key to entrepreneurial success.

In the light of the given statement, examine the relevance of a financial plan for an entrepreneur. [3]

- 29.** The level of sales to the level of revenue generated is a useful parameter for mapping an organization's present and future course of action. Justify. [3]

OR

An entrepreneur may need the venture capitalist in the second stage of financing or as a source of bridge financing but he should always go in for a due diligence before opting venture capital as a source of finance.

Comment on the given statement from the perspective of an entrepreneur. [3]

Section – D

- 30.** Franchising is advantageous for both franchisor and franchisee. Explain five advantages of franchising for the franchisee. [5]

OR

Explain five common types of Intellectual Property Rights. [5]

- 31.** 'While there are benefits of going public as a source of finance for a company, it also means additional obligations'.
Analyse and justify the statement. [5]

- 32.** Explain the steps of creative process. [5]

OR

What is the need for a business plan? Elaborate on various formats in presenting a business plan to prospective investors? [5]

- 33.** VG Ltd. uses EOQ logic to determine the order quantity for its various components and plan its orders. The Annual consumption is 80,000 units, Cost to place one order is ₹ 1,200; Cost per unit is ₹ 50 and carrying cost is 6% of Unit cost.

What is the EOQ for VG Ltd.?

How will the calculation of EOQ benefit VG Ltd.? [5]

- 34.** Aarushi finished her Bachelors degree in Management and decided to join Paras Pharmaceuticals. She was placed under the department which oversaw the exact route of each individual item. Her supervisor Kumar explained that their department plays a very important function of looking into the movement of material, performance of machines and operations of labour. She was surprised and asked Kumar the reason and he further explained that the department makes a plan for every item which will ensure the orderly flow of materials from raw material stage to the finished product stage and this will enable continuous production always.

He further elaborated on various systems used for quality control. Kumar showed her an existing plan and asked Aarushi to devise a plan incorporating all that he had explained.

Explain the first five elements involved in this plan. [5]

□□□

SOLUTIONS

Sample Question Paper-1

ENTREPRENEURSHIP

Section – A

1. Option (C) is correct.

Explanation: A great business idea combines skills with knowledge and competencies. A business opportunity or idea often comes from everyday problems that someone solves. It is however, necessary for a prospective businessmen to be aware of the trends in an economy. With the opening of the market to International Companies, large size departmental stores, chain shops and umbrella markets have become omnipresent; competition has become intense and to survive in the market, new entrants will have to acquire skills, competencies and knowledge required to launch, manage and expand business opportunities. (1)

2. Option (D) is correct.

Explanation: In cost-plus pricing, the manufacturer charges a price to cover the cost of producing a product plus a reasonable profit. The cost-plus method is simple, but it does not encourage the efficient use of resources. Penetration pricing 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. (1)

3. Option (B) is correct.

Explanation: Return on investment equals the net income from a business or a project divided by the total money invested in the venture multiplied by 100. (1)

4. Option (B) is correct.

Explanation: A merger occurring between companies in the same industry. Horizontal merger is a business consolidation that occurs between firms which operate in the same space, often as competitors offering the same goods or service. Horizontal mergers are common in industries with fewer firms, as competition tends to be higher and the synergies and potential gains in market share are much greater for merging firms in such an industry. (1)

5. Option (B) is correct.

Explanation: Proforma investment decision is a 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. An estimate of various components of capital nature i.e. fixed assets and of working capital should be clearly mentioned in this part of business plan. 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. (1)

6. Option (B) is correct.

Explanation: Penetration pricing 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. Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume, rather than to make profit in the short term. The price will be raised later once this market share is gained. (1)

7. Option (B) is correct.

Explanation: Gross working capital = Cash + Stock + Trade Debtors + Short term investment = 60,000 + 50,000 + 65,000 + 15,000 = 1,90,000 (1)

8. Option (B) is correct.

Explanation: In many industrial products, an alpha-numeric name often signifies its physical characteristics, thus creating a distinctive identify of the product. Entrepreneur has an option available to brand his/her products alpha-numerically too. For example, SX4, Liv52, ANX Grindlay, i10, i20, etc. (1)

9. Option (D) is correct.

Explanation: Return on Equity = Net Income/Equity × 100
 $20,000/40,000 \times 100 = 50\%$ (1)

10. Option (B) is correct.

Explanation: Entrepreneurship environment refers to the various forces within which various small, medium and large enterprises operate. These factors exert influence upon each other and do not operate in isolation. Business environment consists of two levels, i.e., micro environment and macro environment. Customers are part of the micro environment. (1)

11. Option (B) is correct.

Explanation: The role of transferring financial resources from the surplus units to the deficit units is what is referred to as "Financial Intermediation". Capital Markets play a very vital role of a financial intermediary. (1)

12. Option (A) is correct.

Explanation: Franchising is helping thousands of individuals be their own boss and own and operate their own business. Franchising allows entrepreneurs to be in business for themselves, but not by themselves. There is usually a much higher likelihood of success when an individual opens a franchise as opposed to a mom and pop business, since a proven business formula is in place. The products, services, and business operations have already been established. (1)

13. Option (A) is correct.

Explanation: Different products will have different operating cycles. If the conversion takes longer then the cycle will be longer. For trading, where there is no manufacturing (or conversion), the operating cycle will be shorter. Longer the operating cycle, working capital quantum is more; shorter the cycle, less working capital is needed. (1)

14. Option (A) is correct.

Explanation: The company was 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. (1)

15. Option (D) is correct.

Explanation: 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. (1)

16. Option (B) is correct.

Explanation: Talking to people is an equally important trend-spotting tactic. 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. (1)

17. Option (C) is correct.

Explanation: There's no substitute for getting out in the marketplace. They make it a point to regularly go where their target customers hang out. If the customers are teenagers, that might be the local mall. If they are business people, it might be the regions "power lunch" restaurant or office park restaurant center. The entrepreneur spends some time simply watching and observing. (1)

18. Option (D) is correct.

Explanation: 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. 1

Section – B

- 19.** 1. Two or more persons;
2. Agreement;
3. Profit sharing;
4. Unlimited liability;
5. Implied authority;
6. Mutual agency;
7. Utmost good faith;
8. Restriction on transfer of shares;
9. Continuity

Detailed Answer:**(1) Two or more persons:**

Partnership is the outcome of a contract. Thus:

- (a) There must be at least 2 persons to enter into contract to form partnership.
(b) Minors cannot form a partnership firm as they are incompetent to enter into contract but can be admitted to the benefits of a running firm.
(c) If these people intend to do banking business, the maximum number can be ten otherwise twenty for the other business.

- (2) Agreement:** The relation of partnership arises from contract and not from status. Though oral agreement is even acceptable but in practice written agreement is much more advisable as disputes can be resolved better with it.

- (3) **Profit sharing:** The objective of the business is to make profits and distribute the same amongst partners. Any association initiated to do charity work is not partnership.
- (4) **Unlimited liability:** Mostly, the liability of the partners of a firm is unlimited. Their personal properties can be disposed off to pay the debts of the firm if required. The creditors can claim their dues from any one of the partner or from all of them, meaning partners are liable Individually and Collectively.
- (5) **Implied authority:** There is an implied authority that any partner can act on behalf of the firm. The firm stands bound by the acts of partners.
- (6) **Mutual agency:** The business of partnership can be carried on by all the partners or any one of them acting for all. Thus, every partner is principal as well as agent of other partners and of the firm. Thus, (i) Each partner is liable for acts performed by other partners, (ii) Each partner can bind other partners and the firm by his acts done in the ordinary course of business.
- (7) **Utmost good faith:** Every partner is supposed to act honestly and give proper accounts to other partners. Thus, mutual faith and confidence in one another is the main strength of partnership.
- (8) **Restriction on transfer of shares:** No partner can sell or transfer his share to anybody else without the consent of the other partners. By giving a notice for dissolution of the firm, a partner can show intention to discontinue as partner.
- (9) **Continuity:** A partnership continues up to the time that all partners desire to continue it. Legally, a firm dissolves on the retirement, death, bankruptcy lunacy, or disability of a partner if not otherwise provided for in the partnership deed.
- (Any two) (2)

OR

- (1) Only two members are required to form a private company.
- (2) Only two directors are required to constitute the quorum to validate the proceedings of the meetings.
- (3) Such companies can file a statement in lieu of a prospectus with the Registrar of Companies.
- (4) It can commence its business immediately after incorporation.
- (5) Holding of a statutory meeting or filing of a statutory report is required by a private company.
- (6) A non-member cannot inspect the copies of the profit and loss A/c filed with the Registrar.
- (7) Limit on payment of maximum managerial remuneration does not apply to a private company.
- (8) Restrictions on appointment and reappointment of managing director do not apply.
- (9) Maintaining an index of members is not required by a private company.

- (1) Directors of the private company need not have qualification shares. (Any two points) (2)

20. The telecom operators adopted a market extension merger strategy.

Market extension merger strategy: is a type of merger that takes place between two companies that deal in the same products but in separate markets. The main purpose of this type of merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base. (2)

21. Ecological: It considers the ways in which the organization can produce its goods or services with minimum environmental damage. Considering the above article, plastic bag manufacturers would have to switch to more eco-friendly products which will not cause any harm to the environment.

Legal: It covers areas such as taxation, employment, law, monopoly, legislation and environmental protection laws. Government has banned all single use plastics and has imposed heavy penalty in case of any violation. (1+1)

22. The promotional tools are:

1. Advertising
2. Personal selling
3. Sales promotion
4. Public relations (2)

(Any two in detail with and advantage and disadvantages)

Detailed Answer:

(1). **Advertising:** Advertising is a paid 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.

Advantages of Advertising:

- (i) Advertising has positive impact on demand. Demand for products can be increased. Naturally, an increased demand stimulates production. More production means more prosperity.
- (ii) Advertising is useful to commercialize or materialize new useful inventions. New inventions benefit the society.
- (iii) Advertisement is a good source of information. It can increase awareness about different products and special offers related to products. Availability of adequate information can help customers select the most suitable products/brands.
- (iv) Sales turnover and encourage mass production of goods are enhanced by advertising that results in large scale production, average cost of production reduces and results in higher profits.

Disadvantages of advertising:

- (i) Due to excessive use or proliferation of advertising, valuable national resources are wasted. In many cases, companies undertake rigorous advertising efforts without specific needs.
 - (ii) It creates unnecessary needs. People are emotionally forced to buy the products. Sometimes, it instigates people to buy unnecessary products.
 - (iii) A major drawback of advertising is misrepresentation of facts regarding products and services. Advertisers usually misrepresent unreal/false benefits of a product and make tall claims to excite people to indulge in actions leading to their benefit, but opposed to consumer's self-interest.
 - (iv) Advertising increases costs of product. Customers have to pay high price for the products heavily advertised. Companies do not forgo their profits. Thus, businessmen can earn more at a cost of customers.
2. Personal selling means selling products personally. It involves oral presentation of message in the form of conversation with one or more prospective customers for the purpose of making sales. Companies appoint salesperson to contact prospective buyers and create awareness about the company's product.

Advantages of personal selling:

- (i) Personal selling by its very nature is capable of providing more flexibility, being adaptable. A salesman can adjust himself to the varying needs, moods, motives, impulses, attitudes and other behavioural variables of the prospects with a view to communicate effectively and effect the sales for the unit.
- (ii) The efforts put in by the salesman are highly focused on a single customer or a small group of customers. The message is likely to reach them without distortion and diffusion. This is perhaps the greatest merit in contrast to advertising where the ad message is released en-masse resulting in message diffusion and distortion causing more wastage or promotional efforts.

Disadvantages of personal selling

- (i) Personal selling as a method of promotion is quite expensive. Getting salesman is one thing and retaining him for long is another. Further, there are no definite correlations between his stay and cost of retaining and the contributions of his, in return, to the firm, for such costs.

- (ii) Personal selling involves more of administrative problems than impersonal selling. Since, the firm is to deal with manpower a driving force behind sales the company has to meet the challenges in the areas of manpower-planning, organizing, directing, coordinating, motivating and controlling. The solutions to these problems, even if found out, are not everlasting because, human content in management is unique. (2)

OR

1. Synergy
2. Acquiring new technology
3. Improved profitability
4. Acquiring a competency
5. Entry into new markets
6. Access to funds
7. Tax benefits

(Explain any two in Detail)

Detailed Answer:

(i) **Synergy:** Synergy is the most essential component of mergers. In mergers, synergy between the participating firms determines the increase in value of the combined entity. In other words, it refers to the difference between the value of the combined firm and the value of the sum of the participants. Synergy accrues in the form of revenue enhancement and cost savings.

(ii) **Acquiring new technology:** To remain competitive, companies need to constantly upgrade their technology and business applications. To upgrade technology, a company need not always acquire technology. By buying another company with unique technology, the buying company can maintain or develop a competitive edge. A good example is a merger of a logistics company such as a land transport entity with an air-line cargo company. Another example is a merger between Blackberry and Treo which can incorporate cell phone capability and e-mail connectivity in one device; palm pilots and tablet lap tops can provide benefits to both the entities.

[(1)+(1)]

- 23.** Idea fields - Natural resources, Existing product or services, market driven or demand driven ideas, Trading related ideas, Service-related ideas, Creative efforts

[(1)+(1)]

(Any two in Detail)

Detailed Answer:

(i) **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.

(ii) **Existing product or services:** A great business idea combines skills with imagination and market demand. 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.

24. Private placement: The company can keep its confidentiality as at times they do not wish to disclose information to the open market.

Rights Issue: It does not require any brokers, agents, underwriters, prospectus or enlistment, etc. [(1)+(1)]

OR

- (i) Angel investors bear extremely high risk and are usually subject to dilution from future investment rounds.
- (ii) Apart from investing funds, most angels provide proactive advice, guidance, industry connections and mentoring start-ups in its early days.
- (iii) Their objective is to create great companies by providing value creation, and simultaneously helping investors realize a high return on investments.
- (iv) They have a sharp inclination to keep abreast of current developments in a particular business arena, mentoring entrepreneurs by making use of their vast experience.

(Any two) [(1)+(1)]

Section – C

25. (i) The channel of distribution mentioned above is Direct channel-zero level.

(ii) This is the simplest and shortest channel in which no middlemen are involved and producers directly sell their products to the consumers.

(iii) This channel of distribution is fast and economical.

[(1)+(1)+(1)]

Detailed Answer:

- (i) The channel of distribution mentioned above is Direct channel-zero level.
- (ii) This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers. It is fast and economical channel of distribution. Under it, the producer or entrepreneur performs all the marketing activities himself and has full control over distribution. A producer may sell directly to consumers through door-to-door sales persons, direct mail or through his own retail stores.

(iii) Advantages of this type of channel are:

- (a) Close relationship to the consumers makes the producer constantly aware of changes and other consumer's needs.
- (b) Profit does not go to the middle-man.
- (c) Goods get to the consumer more quickly because they do not have to travel through the intermediaries or middlemen. (Any two)

26. The manpower plan helps to assess three things.

(i) What kind of people are required?

Each organisation needs personnel with the necessary qualifications, skills, knowledge, experience and aptitude for work. The entrepreneur must clearly state: (a) what kind/type of person is required to be hired for getting his work done. (b) State the personnel ranging from managers, supervisors, administrators, engineers, technical, skilled and unskilled class. (c) Nature of business activity which will help in deciding the type of manpower required.

(ii) How many people are required?

This question deals with the quantity of personnel the enterprise needs. The number of people required for various positions throughout the enterprise gets affected by: a) The total work to be done. b) How much work can an average person do in a specified period of time. c) Level of absenteeism expected. d) Rate of labour turnover. e) The present number of employees. f) The future plans for expansion and diversification.

(iii) How to procure personnel?

As the next step in manpower planning, entrepreneur clearly mentions the strategies, methods, policies, rules and regulations pertaining to persons with respect to Recruitment, Selection and Training. (1+1+1)

OR

(i) Business situation analysis : A review of past performance and achievements of the enterprise are stated here in but for a new venture, focus shifts rather towards: a) Personal profile of the entrepreneur b) Emphasis on products development c) What 'need' it satisfies d) Any other enterprise/experience of the entrepreneur e) Any marketing segmentation, if planned.

(ii) Identify the target market : For a new venture, it's very essential to clearly define the specific group of potential customers whose needs the enterprise aims to fulfill. This identification of the "target market" is a pretty tedious task as it involves: a) Deciding what the general market or industry entrepreneur wishes to pursue is based on market research or industry analysis done and complied with by competent people or the entrepreneurs. Divide the market into smaller groups based on: i) Consumer's characteristics viz. Geographic (State, Country etc.) Demographic (Sex, age, etc.) Psychographics (Personality, lifestyle, etc.) ii) Buying

situations viz. Buying conditions (time available etc.) Usage Desired benefits (features of product) c) Select segment or segments to target. d) Develop a marketing plan integrating according to product, price, distribution, promotion. [(1)+(1)+(1)]

- (iii) **Conduct SWOT analysis** It is important for the entrepreneur to consider in the 'target market' his/her enterprise's: a) Strengths b) Weaknesses c) Opportunities d) Threats. Marketing plan needs to consider the strengths and weaknesses of the new venture to ensure its success.

27. (i) The type of expansion mentioned is internal expansion.

(ii) The net result of internal expansion is the increase in business activities and broadening the present capital structure.

(iii) **Internal expansion:** It is a slow and time consuming process which is a result of a gradual increase in the activities of the enterprise. [(1)+(1)+(1)]

28. Availability of finance facilitates the entrepreneur to bring together men, material, machines and methods to produce goods/services.

The financial plan should be able to meet all financial obligations and the company should maintain its liquidity in order to pay off the debts and also provide good returns on the investment made.

Financial plan must project: (a) The potential investment commitment needed for the new venture, and (b) Economic feasibility of the enterprise. The entrepreneur uses various financial projection techniques and tools to draft the financial plan. The entrepreneur will need to present three years of projected financial data to satisfy any outside investors. (3)

29. (i) It helps in setting sales target.

(ii) It helps in fixing the selling price and the profit goal.

(iii) In a manufacturing environment, it helps in determining the products that are not contributing to meet the fixed expenses and thus brings up the item for discussion in management meetings about its continuity. [(1)+(1)+(1)]

OR

(i) An entrepreneur's business is typically confidential and proprietary. Most venture capitalists will require significant detail with respect to a company's business plan. Entrepreneurs must remain vigilant about sharing information with venture capitalists that are investors in their competitors.

(ii) Most venture capitalists treat information confidentially, but as a matter of business practice, they do not typically enter into non-disclosure agreements because of the potential liability issues those agreements entail.

(iii) Entrepreneurs are typically well-advised to protect truly proprietary intellectual property. [(1)+(1)+(1)]

Section – D

30. The advantages of franchising for the franchisee are as follows:

(i) **Product acceptance:** The franchisee usually enters into a business that has an accepted name, product or service. He/she doesn't have to spend resources to establish the credibility of the business and create a market for his product. The credibility already exists based on the years the franchise has existed.

(ii) **Management expertise:** Managerial expertise is provided to the franchisee. Each new franchisee is often required to take a training program on all aspects operating the franchise. This training could include classes in accounting, personnel management, marketing and production.

(iii) **Capital requirements:** Franchise offers an opportunity to start a new venture with up-front support from franchisor, which saves considerable time and capital of the franchisee.

(iv) **Knowledge of the market:** Franchisors are well aware of the existing market conditions. With their experience and knowledge, they can provide advice and assistance to the franchisees for carving out a market for themselves.

(v) **Operating and structural controls:** Two problems that many entrepreneurs have in starting a new venture are maintaining quality control of products/services and establishing effective managerial controls. The franchisor helps the franchisee to combat both the problems. (5)

(One Mark each for any five advantages)

OR

(i) **Patents:** It grants an inventor the right to exclude others from making, using, selling, offering to sell, and importing an invention for a limited period of time, in exchange for the public disclosure of the invention. The inventions which can be patented are as follows:

(a) Art, process, method or manner of manufacture.

(b) Machine, Apparatus or other Articles.

(c) Substances produced by Manufacturing.

(d) Computer software which has Technical application to industry or is used with Hardware Product Patent for Food/chemical/medicines or Drugs.

(ii) **Copyright:** It gives the creator of original work exclusive rights to it, usually for a limited time. It means to apply to a wider range of creative, intellectual or artistic forms or work. For example musical composition, literary work such as poems, plays etc.

(iii) **Industrial design:** It protects the visual design of objects that are not purely utilitarian. It can be a

two or three dimensional pattern used to produce a product industrial commodity or handicraft.

- (iv) **Trademark:** It is a recognizable sign, design or expression which distinguishes products or services of a particular trade from the similar products or services of other traders.
- (v) **Trade secret:** Any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. (5)

(One mark each for five IPRs)

31. 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.
- (2) **Other advantages :**
- (i) **Mergers and acquisitions:** Public stock of a company can be used for businesses to grow through acquisitions.
- (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.
- (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 compared to an IPO.

Drawbacks:

- (i) Increasing accountability to public shareholders
- (ii) Need to maintain dividend and profit growth trends
- (iii) Becoming more vulnerable to an unwelcome takeover
- (iv) Need to observe and adhere strictly to the rules and regulations by governing bodies
- (v) Increasing costs in complying with higher level of reporting requirements 5

32. The process of creativity involves five steps: 1. Idea germination, 2. Preparation, 3. Incubation, 4. Illumination and 5. Verification.

- (i) **Idea germination:** This is the seeding stage of a new idea. It is the stage where the entrepreneur recognises that an opportunity exists. The idea germination takes place according to interest, curiosity of the entrepreneur according to which opportunity is explored and exploited to its best potential. Creative idea germinates besides the interest, the need of a specific problem or area of study.
- (ii) **Preparation:** On the basis of the idea, interest and curiosity the need is adjudged by the entrepreneur and he starts looking for the

answer to implement the idea. If the idea is to launch a new product or service then market research is conducted. That happens because the seed of curiosity has taken form of an idea, the entrepreneurs foresee the future of the product.

- (iii) **Incubation:** This is the subconscious assimilation of information. This is the transition period. The entrepreneur starts thinking about the idea and implementation in his sub-conscious mind.
- (iv) **Illumination:** In this period of illumination the idea re-surfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea.
- (v) **Verification:** Also called the validation or testing stage. This is where the idea is verified to prove that it has value. This is the most difficult phase of creativity as obstacles begin to appear. This is the developing stage in which knowledge is developed into application. (5)

(One mark each for five steps in area five process)

OR

It helps the entrepreneur to frame a formal statement enlisting a set of business goals, the reasons as to why they believe that it is attainable and the plan for reaching those goals along with the background information about the organization or/and team attempting to reach those goals.

Formats of business plan:

- (i) **Elevator pitch:** It is a three minute summary of the business plan's executive summary. This is often used as a teaser to awaken the interest of potential funders, customers, or strategic partners.
- (ii) **A pitch deck with oral narrative :** A hopeful, entertaining slide show and oral narrative that is meant to trigger discussion and interest potential investors in reading the written presentation, i.e. the executive summary and a few key graphs showing financial trends and key decision making benchmark.
- (iii) **A written presentation for external stakeholders:** A detailed, well written, and pleasingly formatted plan targeted at external stakeholders.
- (iv) **An internal operational plan:** A detailed plan describing planning details that are needed by management but may not be of interest to external stakeholders. [(1)+4 = 5]

33. D = 80,000

$$C = 6\% \times 50 = 3$$

$$P = 1200$$

$$\begin{aligned} \text{EOQ} &= \sqrt{\frac{2DP}{C}} \\ &= 2 \times 80,000 \times 1,200 / 3 \\ &= \sqrt{6,40,00,000} \\ &= 8000 \text{ units} \end{aligned}$$

Calculation of EOQ will

- (a) determine the ideal quantity for which an order should be placed so that there is no stock-out situation.
- (b) help the company to assess the required quantity of raw material and supplies. The stock of raw material should not be so huge that it incurs additional inventory holding cost.
- [3+(1)+(1)]
34. Aarushi had joined the Operations Department and Kumar was explaining to her about the elements involved in the operational plan. The following are the first five elements involved in the plan:
- (i) **Routing:** It is a process concerned with determining the exact route or path a product/

service has to follow right from raw material till its transformation into finished product.

- (ii) **Scheduling:** It means fixation of time, day, date when each operation is to be commenced and completed.
- (iii) **Dispatching:** The process of initiating production in accordance with a pre-conceived production plan is said to be dispatching. This includes issuing necessary orders, instructions, guidelines and/or information to work pertaining to giving practical shape to the production plan.
- (iv) **Follow-Up:** This element relates to evaluation and appraisal of work performed. A properly planned follow-up procedure is helpful in dispatching errors and defects in the work.
- (v) **Inspection:** It is the art of comparing materials, product or performance with established standards. This element helps the entrepreneur to set up laboratories or evolve strategies/methods to ensure predetermined quality of product/service.

5

□□□