

SAMPLE Question Paper

1

Maximum Marks : 200

Time : 45 Minutes

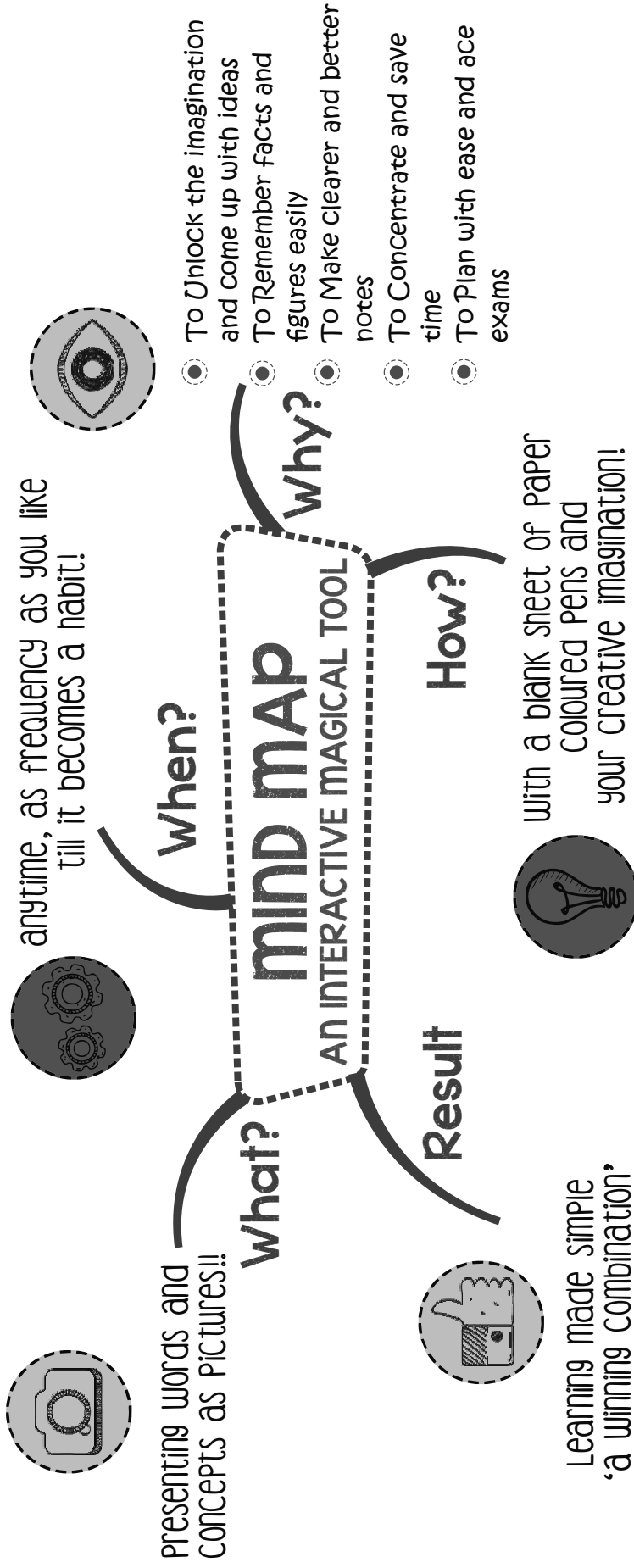
General Instructions:

- (i) This paper consists of 50 MCQs, attempt any 40 out of 50.
- (ii) Correct answer or the most appropriate answer: Five marks (+5).
- (iii) Any incorrect option marked will be given minus one mark (– 1).
- (iv) Unanswered/Marked for Review will be given no mark (0).
- (v) If more than one option is found to be correct then Five marks (+5) will be awarded to only those who have marked any of the correct options.
- (vi) If all options are found to be correct then Five marks (+5) will be awarded to all those who have attempted the question.
- (vii) If none of the options is found correct or a Question is found to be wrong or a Question is dropped then all candidates who have appeared will be given five marks (+5).
- (viii) Calculator / any electronic gadgets are not permitted.

1. Arvind planned to start a small fast-food joint in his area after finishing his degree in hospitality management. His plan was to combine and use healthy ingredients like whole wheat flour to make the burger buns. He knew that he had to start collecting information from different sources which will help him to identify the right opportunity to start his business. From where will Arvind get the necessary information?
(1) Magazines (2) Shows
(3) Family Members (4) All of the above
2. is a type of an indirect tax levied on goods imported into India as well as on goods exported from India.
(1) Custom Duty (2) VAT
(3) Service Tax (4) All of the above
3. Shyam decided to help his father in their family business. His father runs a cloth mill and he has planned to start a paper mill along with his father's cloth mill. He has also planned to use the same brand name so that legacy can be continued. Identify the type of branding Shyam is planning to use.
(1) Individual branding (2) Retail branding
(3) Umbrella branding (4) Corporate branding
4. Rohan and Aman are partners in a car spare parts manufacturing company. They are planning to expand their business and in order to grow Rohan suggested to merge with another car accessories company, however Aman wanted to acquire another car accessories company. Both mergers and acquisitions are enterprise growth strategies, but how they come into existence makes them different from each other. Which of the below statements justifies the given statement?
(1) Merger is always friendly, whereas acquisition is always hostile.
(2) Merger may be friendly, whereas acquisition is always hostile.
(3) Merger is always dependent on synergy, whereas acquisition is never based on synergy.
(4) Merger is consensual, whereas acquisition is forced.
5. Harshdeep is the stock keeper of Neha Textiles Ltd. The company is into converting cotton yarn into fabric and then further computerised printing on the same to add value to the fabric. He wants to know the ideal quantity of yarn to be ordered so that the production process does not stop. How can he know the correct time to place an order?
(1) By calculating Break-even point
(2) By calculating Re-order point
(3) By calculating Economic order quantity
(4) By calculating Lead time
6. Sudha started her small-scale business of making Pickles along with few of her neighbours using their free time at home. They named their venture 'Home sweet Home'. They were able to supply the entire district. One of the members suggested that they should expand and start selling to other states. When she discussed the same to her husband, he suggested that they have to properly look into the environment analysing the competitors. He suggested Sudha to:

MIND MAPS

LEARNING MADE SIMPLE

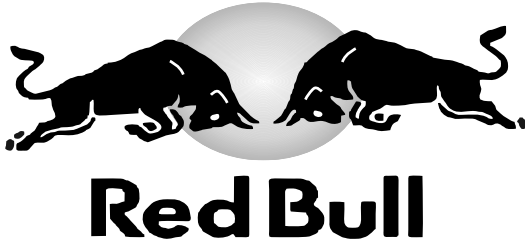


What are Associations?

It's a technique connecting the core concept at the Centre to related concepts or ideas. Associations spreading out straight from the core concept are the First Level of Association. Then we have a Second Level of Association emitting from the first level and the chronology continues. The thickest line is the First Level of Association and the lines keep getting thinner as we move to the subsequent levels of association. This is exactly how the brain functions, therefore these Mind Maps. Associations are one powerful memory aid connecting seemingly unrelated concepts, hence strengthening memory.

- (1) Formulate policies
- (2) Tap useful resources
- (3) Environment scanning
- (4) Image building

7.



Identify the element of branding depicted in the given image.

- (1) Logo
 - (2) Brand
 - (3) Tagline
 - (4) Brand mark
8. Varun along with his friends had a brilliant idea to manufacture an air conditioner which will also act as an air purifier. The idea was new and the market did not have such a successful product. For starting the unit, they were in need of huge funds, so they decided to approach Shankar, a successful businessman and who is also a venture capitalist. However, Shankar said that he was very busy and if they could pitch their idea within a span of 3 minutes, he was ready to hear it. Which format of Business plan will Varun and his friends would have to use?
- (1) Elevator Pitch
 - (2) A pitch deck with oral narrative
 - (3) A written presentation for external stakeholders
 - (4) An internal operational plan
9. Insights Ltd. is working on expanding the business. They are exploring various opportunities and strategies for their business growth. They planned to hire a new Marketing Manager. Satish appeared for an interview for the above position. During the interview, the HR listed down the steps involved in exploring opportunities in an environment. In light of the above scenario, arrange the steps in correct order as Satish did it.
- (i) Evaluating the ideas received from different sources to find a creative solution.
 - (ii) Identifying a product or service through innovation.
 - (iii) Opportunity spotting by analysing the needs and problems that exist in the environment.
 - (iv) Setting up a project and nurturing it to success.
- (1) (i), (ii), (iii), (iv)
 - (2) (iii), (i), (ii), (iv)
 - (3) (ii), (iii), (iv), (i)
 - (4) (i), (iv), (iii), (ii)

10. 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?

- (1) They did not like the idea.
- (2) They did not have enough funds for the innovation.
- (3) They doubt on the potential for rapid growth.
- (4) They do not give preference to new businesses.

11. Kavita has observed that there can be a good market for hand-knitted cotton and woollen trendy garments for small kids up to the age of three years. She thought of starting a small enterprise for the same. She also ensured that the enterprise will require 10-15 trained workers and an investment of ₹2 lakhs. This will give 40% annual return on investment. The entrepreneurship concept being stated in the above para is

- (1) Business opportunity
- (2) Problem identification
- (3) Environment scanning
- (4) None of the above

12. Vinita, Bhavana, Rani and Nandini are all good friends in the age group of 15-17 years of age. All of them decided together to start a business venture of making soaps at home using natural ingredients. They decided to name their venture as 'O&HM' meaning Organic and Home Made. They spoke about their venture to their parents and asked them if their business could be registered so that it will be easy to divide the profits. Vinita suggested that they should register it as a Partnership firm. Can they form a partnership firm?

- (1) No, they cannot form a partnership firm since all of them are minors.
- (2) Yes, they can form a partnership firm.
- (3) No, since minimum number of people required to form a partnership is 10.
- (4) None of the above

13. is always essential for the existence of a business concern.

- (1) Growth
- (2) Revaluation
- (3) Merger
- (4) None of the above

14. Social behaviour is related with the:

- (1) Fulfilment of social obligations
- (2) Production of public goods
- (3) Ignorance of unethical behaviour
- (4) All of the above

- 15.** The duration between buying the raw material and receiving the cash from the customer is known as the
- (1) Business cycle (2) Operating cycle
(3) Cash flow cycle (4) None of these
- 16.** Aim of advertising is to:
- (1) Familiarize public with product name and make business.
(2) Offer specific products and services.
(3) Attract customers to find out more about your product and services.
(4) All of the above
- 17.** Nishtha, a professionally qualified entrepreneur decided to start 'Kids furniture' a website of designer furniture. It was relatively an untried area involving high risk. She lacked the necessary funds and experience to give shape to her idea. She knew that if she failed to get investment from the public, her idea would die down before it is tried. So, she made a detailed business plan and presented her idea to 'FiFa Finance Ltd.' a company run by a group of professional investors. They were impressed by her business plan and decided to fund her start-up in exchange for an equity stake in the business. The source of finance used by Nishtha is:
- (1) Angel investor (2) Venture capitalist
(3) Both (1) and (2) (4) Neither (1) nor (2)
- 18.** Hina was manufacturing beauty products and was always on the lookout to improvise her products. She used social media and online surveys to understand the latest trend in customer needs and overall in cosmetics industry. Through the surveys, she understood that the customers prefer natural ingredients like multani mitti or neem in place of chemicals in the beauty products. Responding to customers' needs, she developed "Multani Mitti cum Neem Face Pack" in an attractive package. It was highly priced as she knew that the customers will be ready to pay the price for the quality. Her face pack was an instant success. Identify the way in which Hina spotted this trend.
- (1) Read trend (2) Talk trend
(3) Think trend (4) None of the above
- 19.** SPS Ltd. is planning to expand their business and they have decided to merge with ARX Ltd. After the merger is completed and all the formalities have been performed, SPS Ltd. will need some additional funds to expand and meet the manufacturing costs. In order to meet the need for these additional funds, the management has decided to offer its securities to their existing shareholders on a pro-rata basis. Keeping in mind the above step taken by the management, this step of raising funds with shareholders is known as
- (1) Public Issue (2) Private Placement
(3) Offer to Employees (4) Rights Issue
- 20.** Money needed to fund the normal, day to day operations of a business is known as the:
- (1) Real Capital (2) Fixed Capital
(3) Working Capital (4) Gross Capital [A]
- 21.** Anjali who is doing graduation from DELHI University has got an idea to make a safety gadget for college going girls which will give alert message to the registered numbers as well as nearest police stations, if the wearer is in any kind of danger. To execute her idea, she requires finance. She convinced one of her teachers who has the knowledge of making such gadget to provide her finance for feasibility studies. Identify the source of funding used by Anjali.
- (1) Angel investor (2) Venture capitalist
(3) Either (1) or (2) (4) Neither (1) nor (2)
- 22.** Which plan describes the proposed venture's form of ownership?
- (1) Financial (2) Organisational
(3) Marketing (4) Operational
- 23.** merger is a business consolidation that occurs between firms which operate in the same space.
- (1) Horizontal (2) Vertical
(3) Both (1) and (2) (4) None of the above
- 24.** In this stage, entrepreneur comes out with a viable plan to give practical shape by arranging funds, raw material, policy making, etc. Out of the following, identify the stage of 'Creative process' discussed above.
- (1) Incubation (2) Innovation
(3) Illumination (4) None of the above
- 25.** _____ gives the creator of original work exclusive rights to it, usually for a limited time.
- (1) Patents (2) Industrial design
(3) Copyright (4) None of these
- 26.** _____ Markets play a very vital role of a financial intermediary
- (1) Financial (2) Capital
(3) Money (4) None of these
- 27.** Trilochan, an entrepreneur wants to start an industry to manufacture scooter 'Pawan Putra' in rural area of Rajasthan where very less employment opportunities are available. He wants to fix a very low and reasonable price for this scooter as compared to his competitors so that lower income group people can afford to buy this. For this, he thought to prepare business plan with the objective of picturing ahead every step in a long series of separate operations, each step to be taken in the right place in the right

degree, and at the right time and each operation to be done at maximum efficiency.

- (1) Production (2) Organizational
(3) Human resource (4) Marketing

28. Shruti and Reema were discussing to open a restaurant of McDonalds. Reema informed Shruti that they would need the franchisee of McDonalds in order to open the restaurant. But Shruti denied and said that it is an MNC and they do not require the franchisee.

- (1) What Reema said is true.
(2) What Reema said is false.
(3) What Shruti said is true.
(4) What Shruti said is false.

29. Given are the arithmetic skills in Column I. Match them with their correct formulae in Column II.

S. No.	Column I		Column II
1.	Return on Equity	i.	Current Value of Invest-ment – Cost of Invest-ment/ Cost on Investment
2.	Return on Investment	ii.	Average daily usage rate \times Lead time in days.
3.	Working Capital	iii.	Net income/Shareholder's Equity
4.	Reorder formula	iv.	Current assets – Current liabilities

- (1) 1. (ii), 2. (i), 3. (iv), 4. (iii)
(2) 1. (iii), 2. (i), 3. (iv), 4. (ii)
(3) 1. (ii), 2. (iii), 3. (iv), 4. (i)
(4) 1. (iv), 2. (iii), 3. (i), 4. (ii)

30. Rishabh lives in Vijay Nagar, a residential colony near Delhi University (DU). Being close to DU this area is a hub for students who come from outside Delhi to study here as they find good accommodation with Tiffin service readily available. Rishabh has a vacant residential building there. He found it to be an attractive economic idea to start a paying Guest House. He knows that he has a good market because of the location of his building. Identify the other requirement that he has to ensure before opting for this opportunity.

- (1) An attractive and acceptable rate of return on investment
(2) Assured market scope
(3) Practicality of idea
(4) None of the above

31. Sudip, the managing director of Deepti Ltd., wanted to raise capital to expand his business. He saw that there are a lot of employees who were very efficient but due to lack of incentives were looking for another job. He didn't want to

lose them. So, he decided to ask those employees to buy the shares of the company and become a shareholder of the company. As Deepti Ltd. was known for their high returns the employees agreed to the offer. The type of issue that Sudip made is

- (1) Public Issue (2) Private Placement
(3) Offer to Employees (4) Rights Issue

32. Sales promotion activities can be targeted towards:

- (1) Final buyers
(2) Business customers
(3) Retailers and wholesalers
(4) All of the above

33. Identify the source of raising finance through new issue.

- (1) Public issue (2) Right issue
(3) Private placement (4) All of these

34. Priya joined a Publication Company that publishes a monthly magazine "Lifestyle". It covers articles related to fitness, clothing, gadgets, cooking etc., Priya had joined the clothing division of the magazine. Her divisional head explained her nature of work of the division. She also informed Priya that in addition to visits to local mall she would have to attend 'Power lunches' on the first Monday of every month. Out of the following, identify the way of spotting trend, the divisional head is talking about.

- (1) Talk trend (2) Read trend
(3) Watch trend (4) Think trend

35. Priyam composed a music piece for a song and the lyrics were written by him. He wishes to legally protect his creation. He can get a for lyrics and music piece.

- (1) Copyright (2) Patent
(3) Trademark (4) Logo

36. Match the forms of business organization with their features.

S. No.	Column I		Column II
1.	Partnership	i.	Artificial person
2.	Sole trader	ii.	Sole beneficiary
3.	Joint stock company	iii.	Mutual agency

- (1) 1. (i), 2. (ii), 3. (iii) (2) 1. (iii), 2. (ii), 3. (i)
(3) 1. (iii), 2. (i), 3. (ii) (4) 1. (ii), 2. (i), 3. (iii)

37. means an existing company taking over one or more company.

- (1) Amalgamation (2) Absorption
(3) Both (1) and (2) (4) None of these

38. _____ - are required directly or indirectly to make a sale (of the end product) and may also represent different stages in the process of getting the final product.

- (1) Inventory (2) EOQ
(3) Both (1) and (2) (4) None of these

39. Alan has observed the market in his area and noticed that there is a scope for toys for small children. The number of toy shops for such children was very less in his area. He thought of starting a small enterprise for the same. He also ensured that the business will require 1-2 boys in the shop as helpers and an investment of around ₹2 lakhs. He is expecting around 30-40% annual return on investment. Identify which entrepreneurship concept is being discussed in the para.

- (1) Innovation
(2) Business Opportunity
(3) Investment purpose
(4) Competition

40. Harjot is planning to set up a unit for manufacturing biodegradable bags of different sizes by processing the sugarcane bagasse. She also plans to be fully relieved of the problem of distribution and thus decides to hand over her entire output to the selling agents. The channel of distribution used by Harjot is level.

- (1) One (2) Two
(3) Three (4) None of these

Directions : In the following questions, a statement of Assertion (1) is followed by a statement of Reason (R). Mark the correct choice as:

- (1) Both assertion (A) and reason (R) are true and reason (R) is the correct explanation of assertion (A).
(2) Both assertion (A) and reason (R) are true but reason (R) is not the correct explanation of assertion (A).
(3) Assertion (A) is true but reason (R) is false.
(4) Assertion (A) is false but reason (R) is true.

41. Assertion (A): Creativity is the first stage in the process of innovation.

Reason (R): Creativity provides the stimulus for opportunity discovery and new venture creation.

42. Assertion (A): Environment scanning helps to secure the future of the enterprise and avoid failure.

Reason (R): Environment scanning is a careful monitoring of an organization's internal and external environment for detecting early signs of opportunities and threats that may influence its current and future plans.

43. Which of the following statement is correct with respect to Joint Stock company?

- (1) Company is a creation of law.
(2) A company has an independent status.
(3) A company uses a common seal on which its name is engraved.
(4) All of the above

44. Joseph invested ₹1,000 in a pizza restaurant in 2018 and sold the shares for a total of ₹1,200 one year later. While looking at the accounts, he wanted to calculate the return on investment for his restaurant. To calculate it, he divided the net profits by the investment cost. How much would be the return on investment for Joseph's restaurant?

- (1) 10% (2) 20%
(3) 15% (4) 25%

45. The largest Hamburger "Hamber" in India merged with well-known Cold drink manufacturer "Soda Pop" and renamed the brand "Ham-Pop" to impart a different identity. The type of merger discussed above is

- (1) Product extension merger
(2) Horizontal merger
(3) Market extension merger
(4) Vertical merger

46. The SKU code can be:

- (1) Alpha
(2) Numeric
(3) Neither alpha or numeric
(4) A combination of alpha and numeric.

Read the following text and answer the questions based on it.

Harsh, Jacky, Himanshu and Luv were childhood friends. They studied together till class XII from CBSE board. After completing their studies, Harsh and Jacky became doctors and Himanshu and Luv became Engineers. All of them had good earnings but they want to start their own business as they were creative and innovative. Harsh and Jacky gave an idea to manufacture a machine which would help the surgeons in doing medical tests in no time and also help in doing surgery without much blood loss. Himanshu and Luv liked the idea very much and agreed to it, but soon they all realized that were not having enough of capital to start the business. They estimated that approximately ₹3 crores would be required to finance the project, which would be collected by them from their friends and relatives. They also wanted that their private properties should not be used to pay off the liabilities of the business.

47. Which suitable 'type of business organisation' to be formed by Harsh, Jacky, Himanshu and Luv?

- (1) Partnership (2) Sole proprietor
(3) Joint stock company (4) None of these

48. Which of the following is a feature of Joint stock company?

- (1) Voluntary association
(2) Artificial person
(3) Separate legal entity
(4) All of the above

49. Which of the following statement is incorrect with regards to Private Ltd. company?

- (1) It is not compulsory for a private company to maintain index of its members.
- (2) It is not compulsory for a private company to hold a statutory meeting.

(3) It is necessary for a private company to issue a prospectus.

(4) None of the above

50. The liability of the shareholders of a company is

(1) Unlimited

(2) Limited

(3) Not defined

(4) None of these





SOLUTIONS OF Question Paper

1

1. Option (4) is correct.

Explanation: In order to start a business, an entrepreneur has to identify the opportunity and threats by gathering information from different sources. He may get the information from all social media sources and word-of-mouth way too.

2. Option (1) is correct.

3. Option (3) is correct.

Explanation: Umbrella branding is a marketing practice involving the use of a single brand name for the sale of two or more related products.

4. Option (4) is correct.

Explanation: Usually, mergers occur in a consensual setting, where executives from the target company help those from the purchaser in a due diligence process to ensure that the deal is beneficial to both the parties. In a merger, the boards of directors of the two firms agree to combine and seek stockholder's approval for the combination.

5. Option (2) is correct.

Explanation: The reorder point (ROP) is the level of inventory when an order should be made with suppliers to bring the inventory up by the Economic order quantity (EOQ)

6. Option (3) is correct.

Explanation: Environmental scanning is a process of carefully monitoring the external and internal environment to understand the opportunities and threats that may influence an organisations' plans.

7. Option (3) is correct.

Explanation: 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.

8. Option (1) is correct.

Explanation: An elevator pitch is a short description of the idea, product or company which is explained to the listener in a very short period of time.

9. Option (2) is correct.

10. Option (3) is correct.

Explanation: Venture capitalists are typically very selective in deciding what to invest in and as a rule of thumb, they invest in a well-developed business model. The VC do not fund for seed capital as its result and return both are not sure.

11. Option (1) is correct.

Explanation: A business opportunity is an attractive economic idea which could be implemented to create a business, earn profits and ensure further growth.

12. Option (1) is correct.

Explanation: Minimum age criteria to form a partnership firm is 18 years. All of them in the situation is between 15-17 years.

13. Option (1) is correct.

Explanation: Growth is always essential for the existence of a business concern. Business growth helps to win confidence of the society. It creates goodwill and reputation in the market. An organisation with good image and prestige can easily attract investors, customers employees, etc. Businessmen satisfy their urge for power by increasing the size of their business firm.

14. Option (4) is correct.

15. Option (2) is correct.

Explanation: Operating Cycle is also referred to as the Cash Conversion Cycle. The cash conversion cycle (CCC or Operating Cycle) is the length of time between a firm's purchase of inventory and the receipt of cash from accounts receivable.

16. Option (4) is correct.

Explanation: Advertising refers to a paid form of non-verbal communication, presentation or promotion of ideas about goods and services. The primary goal of advertising is to improve the likelihood of the customers to buy the advertised product, it can be through television, web advertising, newspapers, magazines, radio, etc.

17. Option (2) is correct.

Explanation: Venture capital (VC) is a form of private equity with the type of financing offered by investors in start-up companies and small businesses that are believed to have the potential for long-term growth. Venture funding usually comes from well-off investors, investment banks, and other financial institutions.

18. Option (3) is correct.

Explanation: As entrepreneurs absorb and mull about what they've read, heard and observed they'll start making connections and observations that will lead to business-boosting insights.

19. Option (4) is correct.

Explanation: Rights issue is a method of raising additional finance from existing shareholders by offering securities to them on pro-rata basis, i.e., giving them a right to a certain number of shares in proportion to the shares they are holding.

20. Option (3) is correct.

Explanation: Money needed to fund the normal, day to day operations of a business is known as the **Working Capital**. It ensures you have enough cash to pay your debts and expenses as they fall due, particularly during start-up period as very few new businesses are profitable as soon as they open their doors.

21. Option (1) is correct.

Explanation: Angel investor is an affluent individual who provides capital for a business start-ups and early stage companies using a high-risk, high return matrix usually in exchange for convertible debt or ownership equity.

22. Option (2) is correct.

Explanation: An Organisational Plan is that part of business plan that describes the proposed venture's form of ownership.

22. Option (1) is correct.

Explanation: 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.

24. Option (3) is correct.

Explanation: Illumination is a period where the idea resurfaces in a realistic manner.

25. Option (3) is correct.

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

26. Option (2) 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. A capital market may be defined as an organized mechanism meant for effective and smooth transfer of money capital or financial resources from the investors to the entrepreneurs. Here, productive capital is raised and made available for industrial purposes.

27. Option (1) is correct.

Explanation: The objective of the production plan is to plan the work in a manner that each step to be taken in the right place, right degree, right time and more efficiently.

28. Option (1) is correct.

29. Option (2) is correct.

30. Option (1) is correct.

31. Option (3) is correct.

Explanation: Offer to employees/ ESOPs is a form of employee benefit scheme in which an employee has the right to buy shares at a discounted price without the basic requirement to do so. It is usually offered as a reward for good work or a long stay with the company.

32. Option (4) is correct.

33. Option (4) is correct.

34. Option (3) is correct.

Explanation: Entrepreneurs make it a point to regularly go where their target customers hang out. The entrepreneur spends some time simply watching and observing what people eat, doing, wearing, using etc.

35. Option (1) is correct.

Explanation: It gives the creator of original work exclusive rights to it, usually for a limited time.

36. Option (2) is correct.

37. Option (2) is correct.

Explanation: Absorption means an existing company taking over one or more company. In this case one or more company will close down their business and this business will be continued by the name of the existing company.

38. Option (1) is correct.

Explanation: The word inventory conjures up the image of collection of things and a list of those items in our mind. In fact, the dictionary meaning of inventory is:

Detailed list of articles, goods, property etc. Which means we can have an inventory of vehicles we own (Assets), or list of our friends, list of movies seen etc. While that is the general meaning of the term inventory, in the present context we will be talking of raw materials, semi-finished goods, consumable, spare parts, finished goods etc. In other words, inventory are required directly or indirectly to make a sale (of the end product) and may also represent different stages in the process of getting the final product.

39. Option (2) is correct.

Explanation: A business opportunity is an attractive economic idea which could be implemented to create a business, earn profits and ensure further growth.

40. Option (3) is correct.

Explanation: This is the longest channel of distribution in which three middleman are involved. This is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his entire output to the selling agents. The agents distribute the product among a few wholesalers. Every wholesaler distributes the product among a number of retailers who finally sell it to the ultimate consumers. This channel is suitable for wider distribution of various industrial products.

41. Option (1) is correct.

Explanation: Only from the initial acts of creativity, entrepreneur can build effective organisation.

42. Option (1) is correct.

Explanation: The scanning of the environment helps the entrepreneur to spot the new opportunities that have a positive impact on the enterprise. At the same time, it also helps the entrepreneur to detect the negative factors that could negatively impact their enterprise. The entrepreneurs gather the information, and make the necessary changes in the various processes in their enterprise. This will help to secure the future of the enterprise and avoid failure.

43. Option (4) is correct.

44. Option (2) is correct.

Explanation:

$$\begin{aligned} \text{ROI} &= \frac{\text{Earning before Interest and Tax}}{\text{Total investment}} \times 100 \\ &= \frac{\text{₹1,200} - \text{₹1,000}}{\text{₹1,000}} \times 100 \\ &= \frac{\text{₹200}}{\text{₹1,000}} \times 100 \\ &= 20\% \end{aligned}$$

45. Option (1) is correct.

Explanation: A product extension merger takes place between two business organizations that deal in products that are related to each other and operate in the same market.

46. Option (4) is correct.

Explanation: Each and every 'item' in the inventory is to be identified with a unique code which signifies certain aspects of the item. It can be color, size, weight or any other characteristic that is of importance in its use. The SKU code can be a combination of alpha and numeric.

SKU is the very basic unit for data collection and further manipulation for deriving meaningful statistics and decision making. Bar Codes and RFID (Radio Frequency Identification) tags are used in tracking etc using SKU.

47. Option (3) is correct.

Explanation: Joint stock company as a modern form of business organisation emerged to meet the requirements of large sized business. A company means a voluntary association of a person formed for some common object with capital divisible into units of equal value called 'shares' and with limited liability. Company is a creation of law that is the birth of this artificial human being is by law and it can be put to death by law only.

48. Option (4) is correct.

49. Option (3) is correct.

Explanation: In spite of certain restrictions imposed on a private company, it enjoys certain privileges under the Companies Act. A substantial number of entrepreneurs prefer to form a private company because only two members are required to form a private company. It is not necessary for a private company to issue a prospectus, whereas it is mandatory for a public company.

50. Option (2) is correct.

Explanation: The liability of the shareholders of a company is normally limited to the number of shares held or guarantee given by them. The liabilities of a shareholder of a company are usually limited. For settlement of the debts of the company, the personal property of the shareholder cannot be used. A shareholder's liability is limited to the amount unpaid on their shares, irrespective of the magnitude of losses suffered.

