

Strictly Confidential – (For Internal and Restricted use only)
Senior School Certificate Examination -2018
Marking Scheme – Entrepreneurship 98 Series

General Instructions :-

1. The marking scheme carries only suggested value points for the answers. These are only guidelines and do not constitute the complete answer. The students can have their own expression and if the expression is correct, marks will be awarded accordingly.
2. Some of the questions may relate to higher order thinking ability. These questions are to be evaluated carefully and student's understanding/analytical ability may be judged. These questions will be indicated by a star mark.
3. Evaluation is to be done as per instructions provided in the Marking Scheme.
4. If a question has parts, please award marks in the right hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left hand margin.
5. If a question does not have any part, marks be awarded in the left hand margin.
6. If a candidate has attempted a question twice, the first answer to be marked and corrected.
7. There are few questions on distinction between two concepts. Marks should be given only if the distinction is clearly given and is correct.
8. In case of choice type question, if an examinee attempts both the choices, first answer only should be assessed.
9. In a question, if two features/characteristics/points are asked, marks should be awarded for the first two points written.
10. It is expected that the Marking Scheme should be followed objectively to avoid over strict tendency in marking.
11. Marks should be awarded keeping in view the total marks of that particular question and not the total marks of the question paper.
12. A full scale of marks 0-70 has to be used. Please do not hesitate to award full marks if the answer deserves it. Similarly, wherever an examinee writes answer up to the mark, his/her marks should not be deducted unnecessarily.
13. Answer scripts written in English should be evaluated by the examiners teaching in English and answer scripts written in Hindi should be evaluated by the examiners teaching in Hindi.
14. In compliance to the judgment of the Hon'ble Supreme Court of India, Board has decided to provide photocopy of the answer book(s) to the candidates who will apply for it along with the requisite fee from 2012 examination. Therefore, it is all the more important that the evaluation is done strictly as per the value points given in the marking scheme so that the Board is in a position to defend the evaluation at any forum.

15. In the light of the above judgment instructions have been incorporated in the guidelines for centre superintendents to ensure that the answer books of all the appeared candidates have been sent to the Board's office. The examiners have to certify that they evaluated the answer books strictly in accordance with the value points given in the marking scheme.
16. Every examiner should stay up to sufficiently reasonable time, normally 5-6 hours everyday and evaluate 20-25 answer books.
17. Every examiner should acquaint themselves with the guidelines given in the Guidelines for Spot Evaluation before starting actual evaluation.
18. Every examiner should acquaint themselves with the marking schemes of all the sets.

MARKING SCHEME
ENTREPRENEURSHIP
2018

S.no	Questions and Answers	Marks
1.	Give the meaning of an entrepreneur?	1
Ans.	Entrepreneur is anyone who always searches for an opportunity. (Any other suitable definition)	1
2.	State the liability of a partner?	1
Ans.	Unlimited liability	1
3.	What is meant by 'integrative negotiations'?	1
Ans.	Integrative negotiations are commonly referred to as —win-win. In this type of negotiation, each side is working towards a solution where everyone wins something.	1
4.	Differentiate between Sales Budget and Marketing Budget?	1
Ans.	Sales budget is an estimate of future sales, often broken down into both units and currency. It is used to create company sales goals. Marketing budget is an estimate of the funds needed for promotion, advertising, and public relations in order to market the product or service.	½ + ½
5.	Deepak Industries is a sugar unit in U.P. Due to various factors it started running into losses and was declared a sick unit by the State Confederation of Industries. It had assets and probability to revive if financial assistance could be made available. Name the financial organization can help Deepak Industries in this situation knowing well that it cannot furnish any collateral security against loan sanctioned?	1
Ans.	Industrial Investment Bank of India Ltd. (IIBI)	1
6.	'Safe Wheelers' is an upcoming cab service. The promoters knew that they are entering a highly competitive market. They gathered information on existing cab services and changing customer preferences and incorporated those observations into their operations. In order to reach the customers promptly, they developed an app to book, track and trace the cab 24*7. To create an environment of trust all drivers were divided into two shifts, 6am – 6pm for female drivers and 6pm-6am for male drivers. GPS systems were installed in order to monitor their movements. The fare payment was either by an e-wallet or through the 'Safe Wheelers' Smart Card. As soon as the services were launched, they were a grand success. Identify and explain the concept that helped the company to succeed.	2

Ans.	Environment Scanning 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.	1 + 1								
7.	Give any two points of distinction between 'Basic Idea' and 'Post Scanning Idea'.	2								
Ans.	<table border="1"> <thead> <tr> <th>Basic Idea</th> <th>Post Scanning Idea</th> </tr> </thead> <tbody> <tr> <td>While the initial spotting of ideas (i.e., basic idea) is of a random nature</td> <td>the development of ideas after scanning the environment (i.e., post scanning) idea is a more purposeful activity.</td> </tr> <tr> <td>Basic Idea is an experiential process</td> <td>Post scanning idea is a strategic process.</td> </tr> <tr> <td>Has to undergo the vigorous process</td> <td>Also undergone the process</td> </tr> </tbody> </table> <p>(Any two) (Marks to be given only for correct difference)</p>	Basic Idea	Post Scanning Idea	While the initial spotting of ideas (i.e., basic idea) is of a random nature	the development of ideas after scanning the environment (i.e., post scanning) idea is a more purposeful activity.	Basic Idea is an experiential process	Post scanning idea is a strategic process.	Has to undergo the vigorous process	Also undergone the process	1 + 1
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8.	Rajiv and Ramesh entered into a verbal agreement to form a firm. They agreed to share it's profits. Their business was running smoothly. One day a dispute arose between Rajiv and Ramesh regarding the profit sharing ratio. Rajiv decided to move the court and enforce his rights against the firm and Ramesh. Will Rajiv succeed? Give reasons in support of your answer.	2								
Ans.	No, Because the firm is not registered and the partners of an unregistered firm cannot enforce their rights against the firm and other partners.	1+1								
9.	Various approaches may be used by a company to promote its products. One of them is the use of mass media methods by designing a promotion strategy that aims at establishing brand identity. Identify and explain this approach.	2								
Ans.	Above the line- These promotions use mass media methods. This type of promotion focuses on advertising to a large audience. It includes conventional media like print, online, television and cinema advertising. The activities include advertisements in the press. They also produce online banner advertisements, place advertisements on billboards and use their website to meet the needs of their consumers.	1 + 1								
10.	State any four powers of Securities and Exchange Board of India.	2								
Ans.	For the discharge of its functions efficiently, SEBI has been vested with the following powers: 1. To approve by-laws of stock exchanges, SEBI 2. To enquire the stock exchange to amend their by-laws. 3. Inspect the books of accounts and call for periodical returns from	$\frac{1}{2} \times 4 = 2$								

	<p>recognized stock exchanges.</p> <p>4. Inspect the books of accounts of financial intermediaries.</p> <p>5. Compel certain companies to list their shares in one or more stocks exchanges.</p> <p>6. Levy fees and other charges on the intermediaries for performing its functions.</p> <p>7. Grant license to any person for the purpose of dealing in certain areas.</p> <p>8. Delegate powers exercisable by it.</p> <p>9. Prosecute and judge directly the violation of certain provisions of the Companies Act.</p> <p>10. Power to impose monetary penalties.</p> <p>(Any four)</p>	
11.	<p>While assessing the market, an entrepreneur has to prepare details on four factors one of them being ‘project innovation and change’. Explain briefly the other three.</p>	3
Ans.	<p>Selection of a product or service will depend upon many factors. While assessing the market, an entrepreneur has to prepare details on the following lines:</p> <p>1. Demand The demand assessment will be based on the size of market being targeted, i.e., local markets, market at state level or national/international market. It will also involve a study of the target groups of consumers, their preferences, tastes and other related variables.</p> <p>2. Supply and nature of competition While assessing market, supply position is also studied by entrepreneurs. By supply position what is meant is the complete picture of quantities of the product made available in the market by all the existing players. It should take into account future supplies from possible entrants in the field.</p> <p>3. Cost and price of product It is important to determine the cost of the product and its comparison with available products in the market. Cost variable of competitors in terms of transportation delays, wastage, storage etc., have to be studied to spot cost advantage. This will influence the delivery mechanism of the identified product or service.</p>	1x3
12.	<p>Bhoomika started a pottery unit employing differently abled people to make and sell sculptors made of clay. She also made sure that the material she used is easily decomposable. During the months of September and October she increased the scale of production as the festival of Diwali was round the corner.</p> <p>Identify the component of business environment at a macro level that is</p>	3

	reflected in the above situation. Also identify any two values communicated by Bhoomika by her working.	
Ans.	Ecological Environment. Values: i. Social Responsibility ii. Concern for the society iii. Respecting differences (Any two or other suitable value relating to the question)	1 + 2
13.	Picturising ahead every step in a long series of separate operations, each step to be taken in the right place, of the right degree and at the right time. Each operation is to be done by maximum efficiency. This is the objective of one of the components of a business plan. (a) Identify the component (b) There are three situations before the venture under this component. Explain briefly those three situations.	3
Ans.	(a) Production plan (b) Most likely there are three situations before the venture viz. a) No manufacturing involved: If the new venture does not include any manufacturing function, say it's a trading firm or a service provider, then this section will stand eliminated from the plan. b) Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe: 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 entrepreneur intends to do himself and what he plans to get it done from outside is required. c) 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.	$\frac{1}{2} + 2\frac{1}{2}$
14.	a. What is a 'Business Plan'? b. State any one importance of writing a business plan for each of the given interest groups: i. Investors ii. Entrepreneur	3

Ans.	<p>a. The business plan is a comprehensively written down document prepared by the entrepreneur describing formally all the relevant external and internal elements involved in starting a new venture.</p> <p>b. i. Investors: as the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution, it is the business plan which reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.</p> <p>ii. Entrepreneurs:</p> <p>a) helps in determining the viability of the venture in a designated market</p> <p>b) helps in providing guidance to the entrepreneur in organizing his/her planning activities as such:</p> <p>i) identifying the resources required</p> <p>ii) enabling obtaining of licenses if required etc.</p> <p>iii) working out with legal requirements as desired by the government.</p> <p>c) provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles.</p>	1+1+1
15.	Why is 'customer relationship management' important for any business? Explain briefly	3
Ans.	<ul style="list-style-type: none"> • It can help to understand the customer in a better way • It will retain customers through better customer experience • It will help to attract new customers • Helps in winning new clients and contracts • It will lead to increase profitability of the organization. • Helps in decreasing customer management costs <p>(Any three)</p>	1+1+1
16.	Paramveer Singh runs an online business for gym equipment. Annual demand for the Waist Flexers is 16,000. The annual holding cost per unit is Rs.48 and the cost to place an order is Rs. 1,500. Calculate the Economic order quantity of Waist Flexers.	3
Ans.	<p>Economic Ordering Quantity</p> $= \frac{\sqrt{2 \times \text{annual usage} \times \text{ordering cost per unit}}}{\sqrt{\text{Carrying cost per unit}}}$ <p>Thus as : annual demand= 16000 Order cost = Rs. 1,500 Annual carrying cost of 1 unit = Rs. 48</p>	1

	$EOQ = \sqrt{\frac{2 \times 16,000 \times 1,500}{48}}$ $= \sqrt{10,00,000}$ $= 1000 \text{ Units}$	1 1/2 1/2
17.	<p>This is a market where there is an option to sell and buy new and old financial instruments. It facilitates the transferring of financial resources from surplus units to deficit units.</p> <p>a. Identify this market and define it. b. What is its function of transferring of financial resources from surplus units to deficit units called?</p>	3
Ans.	<p>a. Capital Market 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.</p> <p>b. Financial Intermediation</p>	1+1+1
18.	<p>Idea germination is the seeding stage of a new idea in the creative process. Explain the next four steps in the process.</p>	4
Ans.	<p>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.</p> <p>Incubation: This is the subconscious assimilation of information. This is the transition period.</p> <p>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.</p> <p>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.</p> <p>This is the developing stage in which knowledge is developed into application. (Steps to be in sequence)</p>	1 × 4
19.	<p>State any four primary activities that are essential for a firm to have a competitive advantage as given by Porter.</p>	4

Ans.	<p>Primary activities</p> <p>Inbound logistics: Goods being obtained from the organisation's suppliers and to be used for producing the end product.</p> <p>Operations: Raw materials and goods are manufactured into the final product. Value is added to the product at this stage as it moves through the production line.</p> <p>Outbound logistics: Once the products have been manufactured, they are ready to be distributed to distribution centres, wholesalers, retailers or customers. Distribution of finished goods is known as outbound logistics.</p> <p>Marketing and sales: Marketing must make sure that the product is targeted towards the correct customer group. The marketing mix is used to establish an effective strategy, any competitive advantage is clearly communicated to the target group through the promotional mix.</p> <p>Services: After the product/service has been sold, what support services does the organization offer customers? This may come in the form of after sales training, guarantees and warranties.</p> <p>(Any four)</p>	1 × 4
20.	<p>Infotics ltd. has been a socially responsible organization determined to reduce waste production and do waste management. The company runs a low cost canteen for its employees. It uses the available waste in form of vegetable peels, fruit skin and unused food is left during the day is put for composting. The methane gas so produced from this is used as fuel in the kitchen. This saves the fuel resources .</p> <p>a. Identify the type of ‘added value’ in this process.</p> <p>b. Briefly explain any other type of ‘added value’ besides the one identified in (a) above.</p> <p>c. Also state any two values communicated by Infotics Ltd. to the society.</p>	4
Ans.	<p>a. Environmental added value</p> <p>b. 1. Quality added value Quality added value is basically adding convenience, ease of use or other desirable characteristics that customers value. For example, turning a commodity into a branded product or design enhancements like pull tabs for easy opening or sipper tops on beverage bottles.</p> <p>2. Cause-related added value Cause-related added value is a social marketing strategy where business contributes part of the revenue from a product or service to a cause. For example, a business may donate a percentage of revenue from each transaction to a cause such as an educational facility for disadvantaged children or a wildlife sanctuary.</p> <p>3. Cultural added value</p>	1+1+2

	<p>Cultural added value is also a social marketing strategy that employs methods or systems of production involving cultural aspects or allow for the needs and sensitivities of cultural groups. For example, producing kosher food (in accord with Jewish law) or using a combination of English and the language of other ethnic groups in a community in written communications.</p> <p>(Any one)</p> <p>c. Social responsibility, Concern for the community</p> <p>(Any other related value as per the question)</p>	
21.	<p>Industrial finance is a very complicated problem. To meet the growing needs of the industries and entrepreneurs, heavy flow of finance is required. For this, various financial institutions have been established at the National and State levels. These institutions provide developmental finance.</p> <p>(a) Give the name of the group of financial institutions</p> <p>(b) Also, give any six points stating the need for such institutions.</p>	4
Ans.	<p>(a). Specialised Financial Institutions</p> <p>(b). Establishing of SFIs facilitated:</p> <p>a) Provision of sufficient long-term funds in the desired sectors in accordance with planned priorities to the industrial units and entrepreneurs.</p> <p>b) New and small entrepreneurs in setting up industry.</p> <p>c) Development of (i) small scale industry and (ii) projects in backward areas.</p> <p>d) Provision of technical and managerial advice to the entrepreneurs, facilitating thus, in identification, evaluation and execution of new investment enterprises.</p> <p>e) Underwriting of and direct subscription to the issue of shares and debentures in the capital market of the upcoming ventures.</p> <p>g) Establishment of enterprises which require extra-ordinarily large amount of finance for their projects with a long-gestation period.</p> <p>(0.5 marks for each point)</p>	1 + 3

22. Raman is a potential investor who wishes to be a part of Equity Linked Saving Scheme (ELSS). He has given the particulars of two companies to seek your advice on investment. Compare the Return on Equity of the two companies and suggest Raman where should he invest.

6

Particulars	Alpha Ltd. (Rupees)	Beta Ltd.(Rupees)
Total Capital Invested	20,00,000	20,00,000
Owned Funds	10,00,000	10,00,000
Interest on Borrowings from Bank	60,000	50,000
Cost of goods sold per month	7,00,000	8,50,000
Monthly Sales Revenue	10,00,000	15,00,000
Salaries	2,40,000	3,60,000
Utilities	75,000	1,00,000
Depreciation	5,500	6,000
Tax Rate	20%	25%

Ans. **Return On Equity = Profit after interest and tax/ Equity x100**

Particulars	Alpha Co.	Beta Co.
Sales Revenue (Yearly)	1,20,00,000	1,80,00,000
COGS (Yearly)	84,00,000	1,02,00,000
GROSS MARGIN	36,00,000	78,00,000
Less:		
i. Salaries Paid:	2,40,000	3,60,000
ii. Interest paid:	60,000	50,000
iii. Utilities:	75,000	1,00,000
iv. Depreciation:	5,500	6,000
Profit after interest before tax	32,19,500	72,84,000
Less Tax	6,43,900	18,21,000
Profit after interest and tax	25,75,600	54,63,000
ROE= Profit after interest and tax/ Equity x100	2575600 /1000000 x100 = 257.56%	5463000 /1000000 x100= 546.3%
Return on Equity	257.56%	546.3%

	<p>Raman should invest in Beta Company as its ROE is better than that of Alpha Company. (1 mark for the formula; 2 marks for table/format/components; 1 mark for ROE of Alpha; 1 Mark for ROE of Beta; 1 mark for the final answer i.e., Beta)</p>	
23.	<p>‘Mittil Ltd’. is a leading company for manufacturing of soft-toys for children. The company is in process of developing a prototype for a talking pillow , ‘Talk O Hug’, which would enable parents to convey their message to children when they are away at work. The mechanism is such that the message is recorded in the device in the pillow and the moment the child touches the pillow, the speaker sensors would repeat the message recorded by the parents for their children. Though an innovation for India, imported versions of this product are already available in the market. The management wants to devise a pricing strategy to target the ‘switchers’ present in the market.</p> <p>a. Identify the pricing strategy that the management is planning to adopt. State the marketing objective of the company behind this pricing decision? b. State any two advantages and one disadvantage of adopting this pricing policy to Mittil Ltd., c. Keeping in mind the nature of the product, suggest the distribution channel that would suit the company for distributing ‘Talk O Hug’.</p>	6
Ans.	<p>a. Penetration Pricing. 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.</p> <p>b. The advantages of penetration pricing to the firm are:</p> <ul style="list-style-type: none"> • It can result in fast diffusion and adoption. This can achieve high market rates quickly. This can take the competitors by surprise, not giving them time to react. • It can create goodwill among the early adopters segment. This can create more trade by word of mouth. • It creates cost control and cost reduction pressures from the start, leading to greater efficiency. • It discourages the entry of competitors. Low prices act as a barrier to entry • It can create high stock turnover throughout the distribution channel • This can create critically important enthusiasm and support in the channel. <p>(Any Two)</p>	2 + 3 + 1

	<p>Disadvantages or penetrating price method:</p> <ul style="list-style-type: none"> • The main disadvantage with penetration pricing is that it establishes long-term price expectations for the product and image preconceptions for the brand and company. This makes it difficult to eventually raise prices. • Another potential disadvantage is that the low profit margins may not be sustainable long enough for the strategy to be effective. <p>(Any One) c. Direct level.</p>	
24.	<p>Dr. Bhim is a senior cardiologist and is concerned about the depleting health index. He researched and found that proper eating habits can improve the quality of life. He initiated ‘MediBytes’ ,a unique canteen , where the food is provided as per one’s health needs. The food served at ‘MediBytes’ has no fast food and no aerated drinks. It provides zero oil food with all the basic nutrients required for the body. Initially these canteen were started in Hospitals but since people are becoming health conscious ‘MediBytes’ is planning to open their branches in other locations also.</p> <p>a. Identify and explain the idea field that was explored by Dr. Bhim? b. State any two idea fields with examples other than the one identified in (a) above.</p>	6
Ans.	<p>(a) Service sector ideas Entrepreneurial opportunities are not only restricted to the manufacturer. Service sector is the most growing field these days, the world over, thanks to emerging knowledge societies and advancements in Information and Technology. So, new opportunities can be identified by understanding the linkages to different business activities.</p> <p style="text-align: center;">OR</p> <p>Market driven or demand driven ideas Market research yields valuable data about trends of supply, demand and consumer preferences. Market research is a key factor to maintain competitiveness over competitors.</p> <p style="text-align: center;">OR</p> <p>Creative efforts Apart from applying creativity to spot and harness opportunities, it can also be applied to develop new products and services. There are basically five ways in which creative ideas can be generated:</p> <ol style="list-style-type: none"> 1. Develop a new product or service. 2. Improve an existing product or service 3. Find a new process or resource for manufacturing a product. 4. Find new markets for existing products or services. 5. Find a new use of an existing product or service. <p>A very useful concept to bear in mind is that, most often creative</p>	1+1+2+2

products and services are born as results of problem solving.

The child could have written any one of the above options and should not have explained the same option in (b) part.

b) i. Natural resources

Ideas can be generated based on natural resources. A product or service may be desired from forest resources, agriculture, horticulture etc.,

ii.) Existing products or services:

A great business idea combines skills with imagination and market demand.

iii.) Trading related ideas

Trading these days is not limited to ordinary grocer or distributor outlets. With increasing consumerism, the scope and nature of trade has enlarged; local trade, import and export, e-commerce are all making trading a very wide area of enterprise.

(Any two with proper examples)