

MARKING SCHEME (2020-2021)
ENTREPRENEURSHIP (066)
CLASS XII

Time 3 Hrs

Max Marks: 70

General instructions: <ul style="list-style-type: none"> • <i>There is no overall choice, though internal choice is given.</i> • <i>Read the question carefully before attempting.</i> 		
Q.1	<p>Sudha started her small-scale business of making Pickles along with few of her neighbors 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</p> <p>A. formulate policies B. Tap useful resources C. Environment scanning D. Image building</p>	1 mark
Ans.	C. Environment scanning	1 mark for correct answer
Q.2	<p>Anant and Anandi together took over their family business of furniture. They understood that the present competitors were using online means to sell their products. They decided on a new idea of providing furniture on a rental basis to offices and households and to also start making furniture using the traditional method which caught the attention of the new generation. They opened stores in various cities and started selling through online mode also. They both are using the service-related idea field. Mention whether the idea field identified is true or false.</p>	1 mark
Ans.	False	1 mark for correct answer
Q.3	<p>Vikrant was always interested in technology driven products. After finishing his engineering degree, he started working on a new walking stick which will help blind people. The stick will be Bluetooth and wi-fi enabled which will be connected through an app on the phone which will guide the blind persons about the objects in front of their walking path. He has started testing the walking stick and found that the stakeholders were satisfied and it had a great value to the customers. Vikrant is in stage of innovation process.</p>	1 mark
Ans	Commercial Application	1 mark for correct answer

Q.4	<p>Hemant approached his father seeking Rs.5,00,000 for his new venture. He had planned to start a computer assembling unit. Though his father was in a position to give him the money he still insisted that he should take a loan from the bank which will make him more responsible. When Hemant approached the bankers, they asked for a business plan. Hemant was not sure as to who can help him in preparation of the business plan. Who among the following can prepare the business plan?</p> <p>A. Lawyers B. Accountants C. Marketing consultants D. All of the above</p>	1 mark
Ans	D. All of the above	1 mark for correct answer
Q.5	<p>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?</p> <p>A. Elevator Pitch B. A pitch deck with oral narrative C. A written presentation for external stakeholders D. An internal operational plan</p>	1 mark
Ans	A. Elevator Pitch	1 mark for correct answer
OR		
	<p>Ab ltd. was into manufacturing security cameras for household and commercial buildings. Their Research and development team came up with a new idea of manufacturing drones as security cameras which will give a 360-degree view of the entire building. They needed huge finance for the same. The company MD Sharath heard of this group of venture capitalists who are ready to invest in new ideas. He seeked an appointment with them and started preparation of a business plan to be presented before them. His plan was to make an informative power point presentation showing key graphs of financial trends. It was meant to trigger discussion among the members. Which format of business plan is Sharath using?</p> <p>A. Elevator Pitch B. A pitch deck with oral narrative</p>	1 mark

	<p>C. A written presentation for external stakeholders</p> <p>D. An internal operational plan</p>	
Ans	B. A pitch deck with oral narrative	1 mark for correct answer
Q.6	<p>Mallika was selling vegetables in her cart along with her mother. They were able to earn a profit of around Rs.200 every day. Even though the amount was not substantial it was sufficient for a decent living. Mallika often noticed that nuclear families where both husband and wife go to work find it difficult to cook as cleaning and cutting vegetables took a lot of time, so an entrepreneur she started gathering information regularly and developed a new product line of selling cut vegetables in hygienic packaging. Mallika usedtrend to spot this idea.</p>	1 mark
Ans.	Think trends	1 mark for correct answer
Q.7	<p>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?</p> <p>A. No, they cannot form a partnership firm since all of them are minors</p> <p>B. Yes, they can form a partnership firm</p> <p>C. No, since minimum number of people required to form a partnership is 10</p> <p>D. None of the above</p>	1 mark
Ans	A. No, they cannot form a partnership firm since all of them are minors	1 mark for correct answer
Q.8	<p>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?</p> <p>A. Magazines</p> <p>B. Shows</p> <p>C. Family Members</p>	1 mark

	D. All of the above	
Ans	D. All of the above	1 mark for correct answer
	OR	
	<p>Victor industries has been one of the leading companies in Mobile phone industry in India. The company decided to launch a new Model AI 1 which will have inbuilt latest software to encourage hands free use and enhance the customer experience through 3D photos. They are also looking into ideas to use ecofriendly recyclable materials for the body of the phone which will cause less environmental damage. Identify the two factors of PESTEL model from the above case study.</p> <p>A. Economic, Social B. Ecological, Technological C. Legal, Economic D. Social, Political</p>	1 mark
Ans	B. Ecological, technological	1 mark for correct answer
Q.9	<p>Which of the following is not a component of Brand?</p> <p>A. Brand name B. Brand Mark C. Logo D. Trademark</p>	1 mark
Ans	C. Logo	1 mark for correct answer
	OR	
	<p>'Maharaja' of Air India is</p> <p>A. Brand name B. Brand Mark C. Brand D. Trademark</p>	1 mark

Ans	B. Brand Mark	1 mark for correct answer
Q.10	Advertising is? A. A paid form of communication B. Selling products personally C. A deliberate effort done to establish and maintain mutual understanding between organization and public D. It relates to short term incentives	1 mark
Ans	A. A paid form of communication	1 mark for the correct answer
	OR	
	Which of the following are the four rules when planning any advertising activity? A. Aim B. Competitors C. Media D. All of the above	1 mark
Ans	D.All of the above	1 mark for the correct answer
Q.11	'Umbrella branding' is? A. Entrepreneur opts to use a common or successful family name for their several products. B. Entrepreneurs choose to utilise their corporate name or logo together with some brand names of individual products. C. Entrepreneur uses alpha-numeric names to signify physical characteristics of the product. D. Entrepreneur chooses distinct names for each of his offerings.	1 mark
Ans	A. Entrepreneur opts to use a common or successful family name for their several products.	1 mark for correct answer
Q.12	Given below are types of mergers with examples of each. Match them correctly.	1 mark

Column A- Types of Mergers	Column B- Examples	
i. Vertical Merger	a. A watch manufacturer acquiring a cement manufacturer	
ii. Market Extension merger	b. Bank of Madura merged with ICICI Bank	
iii. Conglomerate	c. A textile company acquires a cotton yarn manufacturer	
iv. Horizontal Merger	d. Hindustan Unilever Company acquired Lakme, it helped HUL to enter the cosmetics market	
<p>A. i-a ,ii-b ,iii- c ,iv-d</p> <p>B. i-c ,ii-d ,iii- a ,iv-b</p> <p>C. i-a ,ii-c ,iii- b ,iv-d</p> <p>D. i-c ,ii-b ,iii- a ,iv-d</p>		
Ans	B. i-c ,ii-d ,iii- a ,iv-b	1 mark for correct answer
Q.13	<p>What is common among McDonalds, Goli vada pav, Naturals Ice-creams and Ferns-and-petals?</p> <p>A. All are Multinational corporations working in India.</p> <p>B. All have adopted franchising as their growth strategy.</p> <p>C. All have merged with big companies.</p> <p>D. All of the above</p>	1 mark
Ans	B. All have adopted franchising as their growth strategy.	1 mark for correct answer
Q.14	<p>Both mergers and acquisitions are enterprise growth strategies but how they come into existence makes them different from each other. Which of the given statements below justifies the given statement?</p> <p>A. Merger is always friendly, whereas acquisition is always hostile.</p> <p>B. Merger may be friendly, whereas acquisition is always hostile.</p> <p>C. Merger is always depending on synergy, whereas acquisition is never</p>	1 mark

	<p>based on synergy. D. Merger is consensual, whereas acquisition is forced.</p>	
Ans	D. Merger is consensual, whereas acquisition is forced.	1 mark for correct answer
Q.15	 <p>Identify the promotion strategy shown in the image above.</p> <p>A. Below-the line B. Above -the-line C. Through-the-line D. Both Below-the-line and Above-the-line</p>	1 mark
Ans	A. Below-the-line	1 mark for correct answer
	OR	
	 <p>Identify the type of Advertising depicted in the given image.</p> <p>A. Point of Sale B. Ambient C. Outdoors D. Direct mail</p>	1 mark
Ans	B. Ambient	1 mark for correct answer
Q.16	Priyam composed a music piece for a song and the lyrics were written by him.	1 mark

	<p>He wishes to legally protect his creation. He can get a</p> <p>A. Patent for lyrics and music piece B. Copyright for lyrics and music piece C. Copyright of the lyrics and patent for the music piece D. Trademark for the complete song.</p>	
Ans	B. Copyright for lyrics and music piece	1 mark for correct answer
	OR	
	<p>Vinit innovated a new pen which can read any text when placed on top of a page or newspaper which definitely helps blind and old people who are unable to read, He wishes to legally protect his product. He can get a</p> <p>A. Patent B. Copyright C. Trademark D. Geographical Indication</p>	1 mark
	A. Patent	1 mark for the correct answer
Q.17	<p>When total current assets exceed total current liabilities, it refers to.</p> <p>A. Gross Working Capital B. Temporary Working Capital C. Both A and B D. Net Working Capital</p>	1 mark
Ans	D. Net working Capital	1 mark for correct answer
	OR	
	Gross margin and gross profit are one and the same. Is the given statement 'True' or 'False'?	1 mark
Ans	True	1 mark for correct answer
Q.18	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	1 mark

	<p>be ordered so that the production process does not stop. How can he know the correct time to place an order?</p> <p>A. By calculating Break-even point B. By calculating Re-order point C. By calculating Economic order quantity D. By calculating lead time</p>													
Ans	B. By calculating Re-order point	1 mark for correct answer												
Q.19	<p>MM Ltd. is a renowned name in manufacturing hand puppets for children. Its two most selling varieties are Alphabets and Domestic animals. The fixed expenses of MM Ltd.in the manufacturing of these two varieties is Rs. 75,000.</p> <table border="1" data-bbox="220 595 1182 875"> <thead> <tr> <th></th> <th>Alphabets</th> <th>Domestic Animals</th> </tr> </thead> <tbody> <tr> <td>Sales Price/unit (in Rs.)</td> <td>210</td> <td>360</td> </tr> <tr> <td>Variable cost/ unit (in Rs.)</td> <td>140</td> <td>190</td> </tr> <tr> <td>Sales mix %</td> <td>40</td> <td>60</td> </tr> </tbody> </table> <p>The weighted contribution for the two products will be</p> <p>A. Rs.70 B. Rs. 170 C. Rs. 130 D. Rs. 102</p>		Alphabets	Domestic Animals	Sales Price/unit (in Rs.)	210	360	Variable cost/ unit (in Rs.)	140	190	Sales mix %	40	60	1 mark
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Sales Price/unit (in Rs.)	210	360												
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Ans	C. Rs. 130	1 mark for correct answer												
Q.20	<p>In a subsidiary of Sugar mill in U.P, cane juice is converted into organic jaggery. The mill owner wants to know whether to continue with this subsidiary or close it down. On an average, the monthly output of the subsidiary is 2,500 Kg., Sales price / kg- Rs. 100, Variable cost/ kg- Rs.30, Fixed expenses- Rs. 70,000. The breakeven point in units will be?</p> <p>A. 1000 units B. 1500 units C. 10000 units D. 7500 units</p>	1 mark												
Ans	A.1000 units	1 mark for correct answer												

Q.21	A firm has Capital of Rs. 10,00,000; Sales of Rs. 5,00,000; Gross Profit of Rs. 2,00,000 and Expenses of Rs. 1,00,000. Return on investment for the firm will be? A.50% B.20% C.10% D.30%	1 mark
Ans	C-10%	1 mark for correct answer
	OR	
	A firm has Capital of Rs. 10,00,000 of which Rs. 6,00,000 is debt fund; Sales of Rs. 5,00,000; Gross Profit of Rs. 2,00,000 and Expenses of Rs. 1,00,000. Return on Equity for the firm will be? A.50% B.25% C.150% D.30%	1 mark
Ans	B-25%	1 mark for correct answer
Q.22	State any two factors while assessing the market OR Enlist any two uses of problem identification.	2 marks
Ans.	1. Demand: The demand assessment will be based on the size of market being targeted, it will also involve a study of the target groups of consumers, their preferences, tastes and other related variables. 2. Supply and nature of competition: Complete analysis of quantities of the product made available in the market by all the existing players should be looked into carefully. It should also take into account future supplies from possible entrants in the field. 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. 4. Project innovation and change: Market assessment will require a study of prevailing innovations and changes being carried out by existing entrepreneurs. Technological advancements in the field have to be analysed because they may change the quality and influence the cost and price ultimately. (Any two points)	1 mark for each point

	<p>OR</p> <p>Uses of problem Identification:</p> <ol style="list-style-type: none"> 1. It helps an entrepreneur to bring out new products in the market 2. Understand the problems and needs of the market 3. Helps the entrepreneur to be creative 4. Increase in employment generation 5. Increase in national income of the country <p>(Any two points)</p>	
Q.23	Enlist two points as to why a private company is more desirable than a public company.	2 marks
Ans.	<p>A substantial number of entrepreneurs prefer to form a private company because of the following important privileges:</p> <ol style="list-style-type: none"> 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 a company is not required to file a prospectus or a statement in lieu of 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. 10) Directors of the private company need not have qualification shares. <p>(Any two points)</p>	1 mark for each point
Q.24	What is a sales strategy? Differentiate between its types.	2 marks
Ans.	<p>A sales strategy consists of a plan that positions a company's brand or product to gain a competitive advantage.</p> <p>Businesses employ one of two basic types of sales strategies to their overall plan: direct or indirect.</p> <p>With the direct sales strategy, sales people attack the competition head on when talking to the customer. They talk about each feature of the competition's product and compare it to theirs. The term "negative selling" refers to the direct sales approach.</p>	<p>1 mark for meaning</p> <p>1 mark for correct differentiation</p>

	<p>Indirect sales approaches apply more subtle techniques by demonstrating features and benefits not available with the competition's products or services without ever mentioning them by name. This more sophisticated, positive sales strategy requires research and analysis of the competition.</p>	
Q.25	<p>Give reasons for the following situations in business</p> <ol style="list-style-type: none"> 1. Operating cycle is shorter in trading business than in manufacturing business. 2. Shelf life has an impact on the inventory. 	2 marks
Ans.	<p>1.If one is involved in manufacturing activity, one starts with buying raw materials and packing materials etc. These materials are then converted into the end product. During the time required to convert raw material to the end product, various expenses like wages, rent, salary, utility bill, insurance etc are to be paid. Once the end product is ready, it has to be sold and money received from the customer.</p> <p>2.Items like vegetables, fruits, flowers and fish are perishable in nature. This calls for special storage conditions and equipment – cold storage, freezers etc. These have financial implications. Similarly, some of the manufactured food or medicinal products have expiry dates – beyond which they are not fit for consumption. This imposes certain constraints on inventory management.</p>	1 mark each for correct reason
Q.26	<p>Source based question</p> <p>Source - Entrepreneur magazine - August, 2020</p> <p>‘A recent survey conducted jointly by FICCI and Indian Angel Network revealed that 70 percent of startups across the country have been impacted by COVID-19 while as many as 12 per cent have had to halt operations altogether.</p> <p>These are difficult times that no one was prepared to deal with. The prolonged lockdown had a massive impact on the startup ecosystem. Given that they rely largely on a constant flow of capital and investments, which due to the pandemic came to a complete standstill.</p> <p>With the ongoing crisis, to keep startups afloat has become quite a challenge. However, this challenge can be eliminated if entrepreneurs adapt to the current times, adopt new strategies, and are open to experiments and pivot their business plans. That's because the pandemic has not only affected our present but also our future.’</p> <p>Keeping in mind this article, state any two things which should be written by</p>	2 marks

	startup companies in their manpower planning component of business plan?	
Ans	<p>Manpower planning helps in assessing:</p> <ol style="list-style-type: none"> what kind of people are required- Every organisation needs the right person with the right qualifications, skills, experience and aptitude to work. So, the organisation should be clear to know as to what kind of personnel is required as per the nature of business activity How many people are required- They should also estimate the number of personnel required keeping in mind the total work and survival in the present situation and planning for future growth. How to procure personnel - The next step is to recruit, select and train the right personnel. <p>(Any two points)</p>	
Q.27	<p>You are Ravi and you have planned to start manufacturing a new brand of chocolates aiming at teenagers. Your company 'Delight' has already been manufacturing and selling biscuits since 2010. The success of biscuits has encouraged you to move ahead into the chocolate industry.</p> <p>Keeping in mind the steps involved in preparation of the marketing plan draft a marketing plan explaining the first three steps.</p>	3 marks
Ans.	<p>Steps involved in marketing plan are:</p> <ol style="list-style-type: none"> 1) Business situation analysis: 'Where we have been?' – is the question responded to as the first step in designing the marketing plan. I have completed my MBA from a reputed institute in India. I have experience in this field for 10 years and I have been quite successful and completely understand the needs of the customers. 2) Identify the target market: For a new venture, it's very essential to define clearly the specific group of potential customers whose needs the enterprise aims to fulfill. The target market in this case are teenagers. 3) Conduct SWOT analysis: It is important for the entrepreneur to consider in the 'target market' his/her enterprise's: a) Strengths b) Weaknesses c) Threats d) Opportunities Strengths: I am already in the field of fastmoving consumer goods which gives me knowledge about various aspects Weakness: I might not be able to concoct the right combination to satisfy the needs of the customer. Threats: There is lot of competition already in the market Opportunities: There is market for chocolates in the country 	1 mark for each point

Q.28	<p>Explain any three characteristics of partnership.</p> <p>OR</p> <p>Explain any three characteristics of sole proprietorship.</p>	3 marks
Ans.	<p>Characteristics of partnership:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>OR</p> <p>1) Individual ownership: This business is exclusively owned by a single person.</p> <p>2) Individual management and control: All affairs are managed and controlled by the sole proprietor.</p> <p>3) Individual financing: All investment is made by the proprietor. Though, if</p>	1 mark for each point

	<p>required he/she has access to loans and debts to procure funds for business.</p> <p>4) No separate legal entity: Legally, the proprietor and proprietorship are one and the same business and owner exists together, thus with owner's death, business too dies.</p> <p>5) Unlimited liability: The proprietor is liable/responsible for all losses arising from business. In case the business assets are insufficient to pay off liabilities, his/her personal property can be called upon to pay his business debts.</p> <p>6) Sole beneficiary: The sole proprietor alone is entitled to all the profits and losses of business. So, he puts his heart and soul to increase his profits.</p> <p>7) Easy formation and closure: Sole proprietorship are subjected to minimum legal formalities and regulations both at time of commencing and/or closing.</p> <p>8) Limited area of operation: This form of business generally has a limited area of operation due to: limited finance availability limited managerial abilities</p> <p>(Any three points)</p>	
Q.29	<p>Break even analysis has a major impact on the business decision making. Comment.</p>	3 marks
Ans.	<ol style="list-style-type: none"> 1. It helps in setting profit goal and sales target. 2. 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. 3. Breakeven point is the level of sales (or revenue generated) that equals all the expenses required for generating that revenue. There is neither loss nor profit. It helps the organisation to determine the level when will it turn profitable. 	1 mark for each point.
Q.30	<p>AB Ltd., manufacturing light bulbs decided to start manufacturing of ceiling fans. They formed a sister concern by the name 'Cool Air Ltd'. The new company was in need of some investment and for the same they had approached a bank. They had submitted a business plan to the bank stating all the necessary details. They had mentioned very clearly in the plan that they will be manufacturing the blades and have decided to outsource the required motor parts. The plan spoke about the reason for outsourcing along with the contracts with subcontractors.</p> <ol style="list-style-type: none"> a. Explain the Component of the business plan along with its related sub part b. The business plan further gave details about the money which will be invested by the owners and how much they are expecting to borrow. Explain the component of the business plan along with its related sub part. <p>OR</p> <p>This document is valuable to the entrepreneur, potential investors, venture capitalists, banks, financial institutions, new personnel's suppliers, customers,</p>	4 marks

	<p>advisors and others who are trying to familiarize themselves with the business venture, its goals, and objectives. State any four reasons for the importance of this document.</p>	
<p>Ans</p>	<p>a. Production plan, partial manufacturing</p> <p>Production, the most important activity of an enterprise, because it is here that transformation of raw material into finished product takes place with the help of energy, capital, manpower and machinery.</p> <p><u>Partial manufacturing:</u> 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 the entrepreneur intends to do himself and what he plans to get it done from outside is required.</p> <p>b. Financial plan, proforma financing decision</p> <p>Financial plan is a projection of key financial data about: a) The potential investment commitment needed for the new venture, and b) Economic feasibility of the enterprise</p> <p><u>Proforma financing decisions:</u> This section summarizes all the projected sources of funds available to the venture to raise finance from, which you have already studied in previous class. Typically, sources of funds are: i) owners i.e. Owner's funds ii) outsiders i.e. Borrowed funds. The entrepreneur's job is to ensure the selection of the best overall mix of financing for the enterprise so that: a) the cost of capital and the financial risk stands minimized, b) return on investment and profitability stands maximized.</p> <p>OR</p> <p>Importance of business plan:</p> <ol style="list-style-type: none"> 1) It helps in determining the viability of the venture in a designated market 2) It helps in providing guidance to the entrepreneur in organizing his/or her planning activities as such: i) identifying the resources required ii) enabling obtaining of licenses if required etc. iii) working out with legal requirements as desired by the government. 3) It helps in satisfying the concerns, queries, and issues of each group of people interested in the venture. 	<p>2+2= 4 marks</p>

	<p>4) It provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles.</p> <p>5) It helps to realize the obstacles which cannot be avoided or overcome.</p> <p>6) 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>Q.31</p>	<p>Number of people who took their meals and the total billing for each of the 5 weeks is in the following table.</p> <table border="1" data-bbox="293 656 1075 1216"> <thead> <tr> <th>Week</th> <th>No. of people taking meals</th> <th>Average amount billed (in Rs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>120</td> <td>150</td> </tr> <tr> <td>2</td> <td>60</td> <td>205</td> </tr> <tr> <td>3</td> <td>70</td> <td>146</td> </tr> <tr> <td>4</td> <td>80</td> <td>221</td> </tr> <tr> <td>5</td> <td>90</td> <td>240</td> </tr> </tbody> </table> <p>Based on the given information, answer the questions given below:</p> <ol style="list-style-type: none"> Calculate the Unit Price If the variable cost is 60% of the sale price, the Gross Margin per Unit of Sale. 	Week	No. of people taking meals	Average amount billed (in Rs.)	1	120	150	2	60	205	3	70	146	4	80	221	5	90	240	<p>4 marks</p>
Week	No. of people taking meals	Average amount billed (in Rs.)																		
1	120	150																		
2	60	205																		
3	70	146																		
4	80	221																		
5	90	240																		

Week	No. of people taking meals	Average amount billed (in Rs.)	Total billed amount
1	120	150	18000
2	60	205	12300
3	70	146	10220
4	80	221	17680
5	90	240	21600
TOTAL	420		79800

a. Unit Price= Total Billed Amount/ No. of Customers
= 79800/420
= **Rs. 190**

b. Unit Price= Rs. 190
Variable Cost= 60% of Unit Price, so Gross Margin is 40% of Unit Price.
40% X 190 = **Rs. 76**

1 mark for calculation of Total Billed Amount+ 1 mark for formula+ 1 mark for the calculation of Unit Price+ 1 mark for Gross Margin

Q. 32 M/S. Ramlal & Sons started manufacturing oximeters which has a great demand in this time of Covid 19' for domestic use and otherwise also it is an equipment in demand by the medical professionals. While fixing the selling price for the same Ramlal wants to adopt a method where he can just cover the cost and earn a nominal amount of profit. His sons advised him to fix the price initially at a higher rate and then reduce the price when the demand has reduced. According to them this method would help them earn a good profit. He hired an agent,

4 marks

	<p>Satish, who advised him to initially keep the prices low to attract the market and then he can slowly and gradually increase the price.</p> <p>In the given context answer the following questions;</p> <ol style="list-style-type: none"> Identify and explain the method that Ramlal is planning to adopt. Explain the method of pricing suggested by Ramlal's sons and his agent respectively? 	
<p>Ans.</p>	<ol style="list-style-type: none"> <p>Cost plus pricing</p> <p>The most common technique is cost-plus pricing, where the manufacturer charges a price to cover the cost of producing a product plus a reasonable profit. Cost-plus pricing is typically based on a manufacturing estimate. Estimates of the costs associated with manufacturing tasks are made for many reasons. In principle, estimates are made of the resources required (For example, materials, labour and equipment), the cost of those resources and the time for which they will be used. From these factors, an estimate of the costs of carrying out a manufacturing process is made.</p> <p>Price skimming, penetration pricing</p> <p>Skimming is usually employed to reimburse the cost of investment of the original research into the product commonly used in electronic markets when a new range, such as smartphones, are firstly dispatched into the market at a high price. This can be attributed to their need for the product outweighing their need for economics, a greater understanding of the product's value, or simply having a higher disposable income. This strategy is employed only for a limited duration to recover most of the investment made to build the product.</p> <p>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.</p> 	<p>2 + 2 = 4 marks</p>
<p>Q.33</p>	<p>Why is creativity important and explain the creative process?</p> <p>OR</p> <p>Explain any six characteristics of company</p>	<p>6 marks</p>
<p>Ans.</p>	<p>Creativity is important to entrepreneurs because it is the first stage in the process of innovation, providing the stimulus for opportunity discovery and new venture creation.</p> <p>The process of creativity involves five steps:</p>	<p>1 mark for each point</p>

1. Idea germination, 2. Preparation, 3. Incubation, 4. Illumination and, 5. Verification.
1. 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 ideas germinate besides the interest, the need of a specific problem or area of study.
2. Preparation: On the basis of the idea, interest and curiosity the need is judged 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 the form of an idea, the entrepreneurs foresee the future of the product.
3. 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.
4. Illumination: In this period of illumination the idea re-surfaces in a realistic way and entrepreneur comes out with a viable plan to give practical shape by collecting raw-material, arranging funds, policy making for implementation of idea.
5. 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.

OR

Characteristics of a Company:

- 1) Voluntary association: A single person cannot constitute a company. At least two persons, voluntarily, must join hands to form a private company, while a minimum of seven persons are required for a public company.
- 2) Artificial person: A company is created by law. Though it has no body, no conscience still it exists as a person, having a distinct personality of its own.
- 3) Separate legal entity: A company has an independent status, different from its members.
- 4) Common seal: Being an artificial person, a company cannot sign the documents. Hence, it uses a common seal on which its name is engraved.
- 5) Limited liability: The liability of the shareholders of a company is normally limited to the number of shares held or guarantee given by them.
- 6) Transferability of shares: No shareholder is forever wedded to the company. Subject to certain conditions, the shares are freely transferable. The private companies do impose some restrictions on the transfer of shares.
- 7) Diffusion of ownership and management: In this form of organisation,

	<p>entrepreneur should clearly understand there exists separation of ownership from management.</p> <p>8) Number of members: In case of a private company: – Minimum members required are: Two Maximum members: Fifty (excluding employees) And for a public company:– Minimum requirement is : Seven Maximum number : No Limit</p> <p>9) Limitation of action: The scope of this artificial person is determined by: a) The Indian Companies Act b) Memorandum of Association c) Articles of Association</p> <p>10) Winding up: The mode of incorporation and termination (winding up) is both as per the Companies Act only. It's born out of law and can be liquidated only by law.</p> <p>(Any six characteristics)</p>	
Q.34	<p>Evaluate the different options available for an entrepreneur to raise funds from the primary markets.</p>	6 marks
Ans.	<p>1. Public issue / going public: Public issue is the most popular method of raising capital these days by the entrepreneurs. This involves raising of funds directly from the public through the issue of prospectus. An enterprise organizing itself as a public limited company can raise the required funds commonly by preparing a prospectus.</p> <p>When an entrepreneur offers shares to the public for subscription, he/she is required to comply with all the restrictions and formalities pertaining to the initial issues, prospectus drafting and launch.</p> <p>2. Rights issue: Rights issue is a method of raising additional finance from existing shareholders by offering securities to them on a pro-rata basis i.e. giving them a right to a certain number of shares in proportion to the shares they are holding.</p> <p>This method of issuing securities is considered to be inexpensive as it does not require any brokers, agents, underwriters, prospectus or enlistment.</p> <p>3. Private placement: Private placement means the direct sale by a company of its securities to a limited number of sophisticated investors. Entrepreneurs, herein, raise funds by selling the issues mainly to the institutional investors like: i) Unit Trust of India ii) Life Insurance Corporation of India . Entrepreneurs both from public limited and private limited sector, bank heavily upon raising funds through the issue of varied financial instruments under this segment as at times they do not wish to disclose information to the open market.</p> <p>4. Offer to employees: Stock options or offering shares to the employees has gained much popularity in many countries of the world. This method enables employees to become shareholders and share the profits of the company leading to: a) Higher efficiency b) Low labour turnover c) Low floatation cost</p>	<p>½ for naming the source +1 mark for explaining each source..</p>

Q.35	<p>Source based question</p> <p>Source: Economic Times, January 31, 2020</p> <p>‘Memes have emerged as a lucrative profession for its creators.</p> <p>Last week, when Zomato acquired UberEats, competitors took no time to engage with users through this new-age content marketing tool, which had become an instant hit when it began life on social media a few years ago.</p> <p>However, generating memes on Instagram, TikTok and Facebook is now starting to become an integral part of marketing budgets for brands that want to stay relevant and topical online. These brands are using popular meme pages such as Laughing Colours, Confused Atma and Sarcastic Indian across social media.</p> <p>A consumer brand spends Rs 1,000-50,000 on a meme. A page with a million likes charges Rs 1,000-Rs 1,500 for visibility on Facebook and around Rs 3,000 for Instagram, creators said. And, depending on the category of influencers, TikTok charges between Rs 5,000 and Rs 3 lakh.</p> <p>Earlier, meme pages used to make money mainly through Google advertisements, videos or cross promotions. Today, they rack up anywhere between Rs 10 lakh and Rs 4-6 crore in yearly turnover.</p> <p>Some brands that have been active with meme marketing include OnePlus, Truecaller, Dream11, LG and Big Bazaar, apart from big players in the e-commerce and soft-drinks space.</p> <p>Brands use memes for promotions, taking a dig at competition, and for product launches. The demand for memes as a marketing tool increases ahead of festive seasons and occasions like the Cricket World Cup or Indian Premier League matches. Usually, a brand engages with meme creators for two-three memes a week.’</p> <p>In context of the above article, answer the following questions:</p> <ol style="list-style-type: none"> 1. Identify and explain the component of marketing mix enumerated in the above article. 2. Explain in detail the elements of the component of marketing mix identified in 	6 marks

	(1) above.	
Ans.	<p>1. Promotion - This refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade.</p> <p>2. Promotion mix- Advertising, Personal selling, Sales promotion, Public relations</p> <p>Advertising - Advertising is a form of communication designed to persuade potential customers to choose the product or service over that of a competitor. Successful advertising involves making the products or services positively known by that section of the public most likely to purchase them.</p> <p>Personal selling - It means selling products personally. It involves oral presentation of a message in the form of conversation with one or more prospective customers for the purpose of making sales. Companies appoint salespeople to contact prospective buyers and create awareness about the company's product. Thus, a sales person plays three different roles: a. Persuasive role b. Service role c. Informative role</p> <p>Sales promotion - Sales promotion relates to short term incentives or activities that encourage the purchase or sale of a product or service</p> <p>Public relations - It is about building good relations with the stakeholders (public) of the business by obtaining favourable publicity, building a good corporate image and handling or heading off unfavourable rumors, stories and events. By building good relationships with the stakeholders, particularly customers, a company can generate positive word of mouth and referrals from satisfied customers.</p>	<p>1 + 1 + 1 + 1 + 1 + 1 = 6 marks</p>