



INDIAN SCHOOL AL WADI AL KABIR


ENTREPRENEURSHIP
MARKING SCHEME PRELIMINARY EXAM 1

Q. No.	QUESTIONS	Marks
1.	<p>Rehan and Nishant got jobs in IT sector and were based in Bangalore. Rehan was from Delhi and Nishant was from Gujarat. Both were missing home food. The canteen food was highly unappetizing. They checked out several tiffin services but did not find them satisfactory.</p> <p>The foods were not apt for their taste buds. So, they decided to quit their jobs and start a professionally managed tiffin service by the name of Sanjha Chulha. They not only offered chapatis and North Indian curries, but also started with Gujarati thali, Bengali thali as regional meals.</p> <p>What was the source of perceiving the basic idea?</p> <p>A. Problem B. Invention C. Innovation D. Change</p>	1
2.	<p>A young man, Vipul wants to start a business. He is not sure of the type of business he should start. His friends suggested him to seek the help of professionals. He contacted a professional who asked Vipul to pay a big amount for consultancy. Therefore, he decided to search for the reports and industry updates himself. He started looking for the required information on different websites regularly.</p> <p>Identify the way Vipul spotted the trend.</p> <p>A. Watch trend B. Think Trend C. Talk trend D. Read Trend</p>	1
3.	<p>A company uses 300 units of an item per day and the order lead time is 5 days. What should be the level of inventory when a new order is to be placed?</p> <p>A. 1800 units B. 2,100 units C. 1,500 units D. 1,200 units</p>	1
4.	<p>Yagnesh is into the business of manufacturing low cost diesel cars in Germany. He is</p>	1

	<p>eraning good profits and ambitiously considering overseas expansion. He scans the environment for finfing out the oppoetunities and threats that may influence his current and furure plans. He zeroes down on India as a potential place for his business expansion as Indian Government has announced favourable trade regulations. Identify the macro environment factor that palyed a major role for such decision by Yagnesh.</p> <p>A. Political B. Legal C. Economical D. Technological</p>	
5.	<p>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. Name the concept that helped the company to succeed.</p> <p>ENVIRONMENT SCANNING</p>	1
6.	<p>Anil and Ankit were partners in a wed based home delivery service in Kolkata. Their business was doing well. They thought of expanding and also reduce their personal risk. They wanted to protect their own possessions from business creditors in the event of failure. So, they thought of changing the form of business where the liability will be limited. For this they wanted to sell shares to friends and family members. Identify the new form of business to be adopted.</p> <p>A. Sole proprietorship B. Partnership C. Private Limited Company D. Public Limited Company</p>	1
7.	<p>Asha and Jyoti, two friends after completing beautician course, they decided to provide open a beauty parlour as partners. They were ready to offer salon service at customers place at a premium rate during COVID 19 with all necessary precautions being taken. They decided to share profit equally and that each of them will be liable for acts performed by the other. Two features of partnership cited above are _____ and _____.</p> <p>Two or more persons, Profit sharing, Mutual agency (Any 2 points)</p>	1
8.	<p>Ravi created a portable incinerator to be installed in the houses. The dry waste generated at</p>	1

	<p>homes can be converted by it into ash that can be used as manure for plants. He has installed five prototypes of this incinerator in his society to test its working and to prove its value. Ravi is in the _____ stage of creative process for his product.</p> <p>Choose the correct option:</p> <p>A. Illumination. B. Incubation C. Verification D. Preparation</p>	
9.	<p>In the drive to make the world ‘plastic free’, Aruna designed a machine to convert single-use plastic into very small granules that could be used for making low cost roads. Her machine worked with the help of solar energy. She put her idea before the venture capitalists by making an entertaining slide show and oral narration. She also presented the executive summary of her proposed venture and a few key graphs. The format of business plan used by Aruna to convince the investors is :</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
10	<p>Jeet is preparing a business plan for his new venture power saving LED bulbs with guidance from his uncle who is a lawyer. But his uncle is presently not keeping well and hence Jeet does not know under which heading to put the information regarding Transport & communication, Machinery & Equipment and Production Process. He approaches his elder brother Jeevan, an engineer for help. Identify the component of Business Plan , under which the above items to be mentioned.</p> <p>A. Operational Plan. B. Organisational Plan C. Financial Plan. D. Description of Venture.</p>	1
11	<p>Anwar started a packing factory in the small plot of land inherited from his father. Anwar is very enthusiastic and concerned about environmental issues and health has planned to sale food grade plastics for packing edible oils and tetra pack for dairy industries. He contributed Rs.2,00,000 from his personal fund and obtained a loan of Rs.3,00,000 from the bank by mortgaging his land. Advise him, where he must disclose the source of his fund, under Financial Plan while preparing the Business Plan.</p> <p>A. Proforma investment decisions B. Proforma financing decisions C. Proforma income statements D. Proforma balance sheet</p>	1
12	<p>Name the type of brand name depicted in the picture:</p>	1

	 <p>A. Corporate name B. Alpha-numeric name C. Family brand name D. Individual brand name</p>	
13	<p>A 'tagline' is a small amount of text which serves to clarify a thought and is designed with a dramatic effect. It can come in the form of:</p> <p>A. Statements B. Questions C. Exclamations D. All of these</p>	1
14	<p>'Toys for U 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. Identify the pricing strategy that the management is planning to adopt.</p> <p>A. Cost plus pricing B. Penetration Pricing C. Price Skimming D. Variable pricing</p>	3
15		1

	<p>Identify the advertising media shown in the above image.</p> <p>A. Outdoor B. Ambient C. Point of sale D. Window Display</p>																			
16	<p>PHE Ltd. has Stock – Rs.3,000, Creditors- Rs.1,200, Debtors- Rs.1,500 and Bank Balance- Rs.700. Th amount of Gross Working capital for the company is:</p> <p>A. Rs.4,500 B. Rs.4,000 C. Rs.5,200 D. Rs.6,400</p> <p style="text-align: center;">OR</p> <p>SKM Ltd has Current assets Rs.10,000 including cash of Rs.2,000. The amount of current liabilities is Rs.6,500. Calculate Net working capital for the business.</p> <p>A. Rs.3,500 B. Rs.2,500 C. Rs.4,500 D. Rs.5,500</p>	1																		
17	 <p>Identify the type of merger that took place between the three banks as shown in the above image.</p> <p>A. Conglomerate B. Vertical merger C. Franchise D. Horizontal merger.</p>	1																		
18	<p>The following table shows the number of guests who all stayed in a hotel in last 4 weeks and also their total bill amount for food, lodging and leisure activities.</p> <table border="1"> <thead> <tr> <th>WEEK</th> <th>No. of guests</th> <th>Total Bill (Rs.)</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>24</td> <td>4,100</td> </tr> <tr> <td>2</td> <td>12</td> <td>3,000</td> </tr> <tr> <td>3</td> <td>14</td> <td>3,400</td> </tr> <tr> <td>4</td> <td>10</td> <td>1,800</td> </tr> <tr> <td>TOTAL</td> <td>60</td> <td>12,300</td> </tr> </tbody> </table>	WEEK	No. of guests	Total Bill (Rs.)	1	24	4,100	2	12	3,000	3	14	3,400	4	10	1,800	TOTAL	60	12,300	1
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	<p>What is the value of unit price for the hotel? A. Rs.200 B. Rs.205 C. Rs.208 D. Rs.210</p> <p style="text-align: center;">OR</p> <p>A Grocery store sold items to different customers for a period of 12 weeks and calculated their unit sale as Rs.3,000. The cost price per unit is 60% of the selling price. Calculate the Gross profit per unit. A. Rs.2,400 B. Rs.1800 C. Rs.2,100 D. Rs.1,200</p>											
19	<p>When Glaxo and Smithkline Beecham merged, they not only gained market share but also eliminated competition between each other. This also resulted higher debt capacity or better use of idle cash. The above example explains the concept of Synergy. State True or False. True</p>	1										
20	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">COLUMN A - Terms</th> <th style="width: 50%;">COLUMN B- Meaning</th> </tr> </thead> <tbody> <tr> <td>i. Reverse acquisition</td> <td>(a) Purchasing company becomes a subsidiary of the purchased company.</td> </tr> <tr> <td>ii. Back flip acquisition</td> <td>(b) Coke and Pepsi uses this format to expand</td> </tr> <tr> <td>iii. Business franchise opportunity ventures</td> <td>(c) A private company takes over a public company.</td> </tr> <tr> <td>iv. Manufacturing franchise opportunity</td> <td>(d) These ventures typically require that a business owner purchases and distributes the products for one specific company.</td> </tr> </tbody> </table> <p>Identify the correct option to match the above columns: A. i– b; ii – d; iii – a; iv – c B. i– c; ii – a; iii – d; iv - b C. i– a; ii – c; iii – d; iv - b D. i– c; ii – a; iii – b; iv - d</p>	COLUMN A - Terms	COLUMN B- Meaning	i. Reverse acquisition	(a) Purchasing company becomes a subsidiary of the purchased company.	ii. Back flip acquisition	(b) Coke and Pepsi uses this format to expand	iii. Business franchise opportunity ventures	(c) A private company takes over a public company.	iv. Manufacturing franchise opportunity	(d) These ventures typically require that a business owner purchases and distributes the products for one specific company.	1
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21	<p>Navjot is planning to set up a unit for manufacturing biodegradable bags of different sizes by processing the sugarcane bagasse. He also plans to be fully relieved of the problem of distribution and thus decides to hand over his entire output to the selling agents.</p>	1										

	<p>The channel of distribution used by Navjot is:</p> <p>A. Zero level B. One level C. Two level D. Three level</p>	
22	<p>Sensitivity to environmental factors is crucial for an entrepreneur. If a company is able to adapt to its environment, it would succeed in the long run. E.g. Sony is failing to understand the changing trends in mobile phones and therefore losing its market share.</p> <p>In the light of the above para, state any two benefits of understanding the business environment.</p> <p style="text-align: center;">OR</p> <p>Televisions have been revolutionized by constant improvements from simple B/W TVs to color then to LED, HD, 3D and SMART TVs. Customers now a days are buying such items online using the store website or other shopping sites.</p> <p>State two idea fields mentioned in the above para.</p> <p>Identification of opportunities to get first mover advantage. Formulation of strategies and policies. Tapping useful resources. Better performance. Sensitisation of entrepreneurs to cope up with rapid changes Image building. (Any 2)</p> <p style="text-align: center;">OR</p> <p>Existing products or services. Trading related ideas</p>	2
23	<p>Rajesh was a chemical engineer working for a company selling insect killer spray. He was aware how this product could harm the health of the users and was constantly looking for ways to improve the product. Filled with innovative zeal, he worked hard and developed a mosquito repellent which produces sonic waves to drive away mosquitoes. It is non-smoky and does not emit any kind of fragrance or odour. It was safe to use as the sonic waves do not affect human beings or plants. He decided to name his product as ‘Dengularia Free’. The product was to be packed in a corrugated box with an extension cord as free gift. Its price was fixed at Rs. 260 per unit. A replacement warranty for one year will be given as an introductory offer. He decided to sell this product through agents who will sell to both, the wholesalers and retailers depending upon the market to be catered. Quoting the lines from the above para, identify any two elements of marketing mix used by Rajesh</p> <p>➤ The product was to be packed in a corrugated box with an extension cord as free gift.- Product.</p>	2

	<ul style="list-style-type: none"> ➤ The product was to be packed in a corrugated box with an extension cord as free gift./ A replacement warranty for one year will be given as an introductory offer. - Promotion. ➤ He decided to sell this product through agents who will sell to both, the wholesalers and retailers depending upon the market to be catered.- Place. ➤ Its price was fixed at Rs. 260 per unit.- Price. <p style="text-align: center;">- Any 2 .</p>	
24	<p>Differentiate between the two types of sales strategy.</p> <ul style="list-style-type: none"> ➤ 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. ➤ 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. 	2
25	<p>Victory Ltd., set up their small manufacturing unit producing bucket seat covers in the name of 'Comfy'. The product was a great hit. After sometime, SMW- market leaders in luxury car manufacturing planned to join hands with Victory Ltd. Such a deal will allow SMW to obtain better pricing and control over the manufacturing process. Identify and explain this type of growth strategy.</p> <p>Vertical merger A merger between two companies producing different goods or services for one specific finished product. A vertical merger occurs when two or more firms, operating at different levels within an industry's supply chain, merge operations. Most often the logic behind the merger is to increase synergies created by merging firms that would be more efficient operating as one.</p>	2
26	<p>'Kindercare' is a successful brand name in the field of playschool across the country. They decided to increase the number of branches all throughout the country. For this purpose, they decided to give exclusive rights to individuals in return for a regular payment.</p> <p>The various conditions included were:</p> <ol style="list-style-type: none"> a. Interested individuals need to have Minimum 2000 feet area and are ready to invest around 10,00,000. b. Books and uniform to be procured from Kindercare headquarters only. c. Content, technical and accounting assistance would be provided. d. Teacher training for a month. <p>Identify and explain the type franchise business opportunity offered by 'Kindercare'.</p> <p>Business format franchise opportunity- In this approach, a company provides a business owner with a proven method for operating using the name and</p>	2

	trademark of the company. The company also provides significant amount of assistance.	
27	<p>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 Production Plan of a business plan. There are three situations before the venture under the Production plan.</p> <p>Explain briefly those three situations.</p> <ul style="list-style-type: none"> ➤ 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. ➤ 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. ➤ 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, cost of manufacturing 	3
28	<p>Kuljit Singh runs an online business for gym equipment. Annual demand for the Waist Flexers is 600. The annual holding cost per unit is Rs.10 and the cost to place an order is Rs. 15.</p> <p>Calculate the Economic order quantity of Waist Flexers.</p> <p>EOQ = $\sqrt{2PD/C}$ = $\sqrt{2 \times 15 \times 600/10}$ = $\sqrt{1800} = 42$ units.</p>	3
29	<p>Explain any three types of Intellectual property rights.</p> <ul style="list-style-type: none"> ➤ Patents It grants an inventor the right to exclude others from making, using, selling, offering to sell, and importing an invention for a limited period of time, in exchange for the public disclosure of the invention. ➤ Copyright It 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. ➤ Industrial design It protects the visual design of objects that are not purely utilitarian. It can be a two or three dimensional pattern used to produce a product, industrial commodity or handicraft. ➤ Trademark It is a recognizable sign, design or expression which distinguished products or services of a particular trades from the similar products or services of other traders. ➤ Trade Secret Any confidential business information which provides an enterprise a competitive edge may be considered a trade secret. <p style="text-align: center;">Any 3 points (explained)</p>	3

30	<p>Discuss any four important aspects those are to be considered in the process of inventory control.</p> <ul style="list-style-type: none"> ➤ Space: Space requirement for all items will not be identical; neither will it have proportionate relationship with the cost of the item. There can be many bulky items with low value as well as high value items with low volume. Good inventory control system will have to take due note of this. ➤ Lead time: Lead time to manufacture or procure an item depends on many factors. Combined effect of these factors like standard or special raw material, processing time, scheduling of machines, distance between source and user point etc, makes up the lead time for an item. ➤ Standard vs made to order: Some of the items in the inventory could be commodity items with no significant differentiation and hence easy to substitute, or many suppliers produce to same specifications and hence easy to choose from. Others may be specifically made to order and hence possibly limited sources to order from. ➤ Seasonality of supply: If the item is an agricultural product (grains, vegetables, fruits etc.), The supply would be seasonal. This can play a role in designing the inventory control system. ➤ Demand not uniform or not predictable: Demand for an item could be seasonal – weather, festival seasons, events, school opening etc can play a significant part in this. ➤ Shelf life: 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. ➤ Safety aspects: Some of the items are hazardous in nature and special precautions have to be taken in their storage. ➤ Obsolescence: Due to advancement in technology, certain items may not be used and their demand drops off. <p style="text-align: center;">(Any 4 points explained)</p>	4									
31	<p>Best Electronics Ltd., are the manufacturers of ‘Air Conditioners’ and ‘Air Purifiers’. Their fixed costs are Rs.8,000per year. The sales price and variable cost per unit of ‘Air conditioners’ and ‘Air purifiers’ are given below:</p> <table border="1" data-bbox="250 1696 1336 1808"> <thead> <tr> <th></th> <th>Air conditioners</th> <th>Air purifiers</th> </tr> </thead> <tbody> <tr> <td>Selling Price</td> <td>Rs. 2,000</td> <td>Rs. 500</td> </tr> <tr> <td>Variable cost</td> <td>Rs. 1,500</td> <td>Rs. 300</td> </tr> </tbody> </table> <p>The Air conditioners and Air purifiers were sold in the proportion of 2:3 throughout the year.</p>		Air conditioners	Air purifiers	Selling Price	Rs. 2,000	Rs. 500	Variable cost	Rs. 1,500	Rs. 300	4
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	<p>Calculate break even in units.</p> <table border="1" data-bbox="251 264 1336 457"> <thead> <tr> <th></th> <th>Air conditioners</th> <th>Air purifiers</th> </tr> </thead> <tbody> <tr> <td>Selling Price</td> <td>Rs. 2,000</td> <td>Rs. 500</td> </tr> <tr> <td>-Variable cost</td> <td>(Rs. 1,500)</td> <td>(Rs. 300)</td> </tr> <tr> <td>Contribution</td> <td>500</td> <td>200</td> </tr> <tr> <td>Avg. Cont/unit</td> <td>200</td> <td>120</td> </tr> </tbody> </table> <p>Total Avg cont/unit = Rs.320. Total BEP in units = 8,000/320 = 25 units. Airconditioner = 10 units. Air Purifiers = 5 units.</p>		Air conditioners	Air purifiers	Selling Price	Rs. 2,000	Rs. 500	-Variable cost	(Rs. 1,500)	(Rs. 300)	Contribution	500	200	Avg. Cont/unit	200	120	
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32	<p>Explain any four elements of an Operational plan?</p> <ul style="list-style-type: none"> ➤ Routing : Process concerned with determining exact route or path a product/ service has to follow right from raw material till its transformation into finished product. ➤ Scheduling: Means fixation of time, day, date when each operation is to be commenced and completed. In general, it's the determination of the time that should be required to perform each operation. ➤ Dispatching: The process of initiating production in accordance with pre-conceived production plan is said to be dispatching. This includes issuing necessary orders instructions, guidelines and/or information to work pertaining to giving practical shape to the production plan. ➤ Follow-Up : It relates to evaluation and appraisal of work performed. A properly planned follow-up procedure is helpful in dispatching errors and defects in the work. ➤ Inspection: It is the art of comparing materials, product or performance with established standards. This element helps the entrepreneur to set up laboratories or evolve strategies/methods to ensure predetermined quality of product/service. ➤ Shipping: This section goes beyond the manufacturing process and describes the flow of goods / services from production to the consumers. <p style="text-align: center;">(Any 4 points explained)</p>	4															
33	<p>One of the oldest, simplest and most commonly used forms of business organization which is owned financed, controlled and managed by only one person is called as sole proprietorship. Discuss any six characteristics of this form of business.</p> <ol style="list-style-type: none"> 1) Individual ownership: This business is exclusively owned by a single person. 2) Individual management and control: All affairs are managed and controlled by the sole proprietor. Though, competent people can also be employed for efficient management. 3) Individual financing: All investment is made by the proprietor. Though, if required he/she has access to loans and debts to procure funds for business. 4) No separate legal entity: Legally, the proprietor and proprietorship are one 	6															

and the same business and owner exists together, thus with owner's death, business too dies.

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.

6) **Sole beneficiary:** The sole proprietor alone is entitled to all the profits and losses of business. So he/she puts his/her heart and soul to increase his/her profits.

7) **Easy formation and closure:** Sole proprietorship is subjected to minimum legal formalities and regulations both at the time of commencing and/or closing.

8) **Limited area of operation:** This form of business generally has a limited area of operation due to: limited finance availability , limited managerial abilities

(Any 6 points explained)

OR

A joint stock company is a voluntary association of individuals for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership.

Discuss any six characteristics of a Company form of business.

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 and no conscience, it still exists as a person, having a distinct personality of its own. Because like a human being it can buy, sell and own property, sue others, be sued by others, its called as an artificial person.

3) **Separate legal entity** A company has an independent status, different from its members. Company has a distinct entity separate from its members.

4) **Common seal** Being an artificial person, company cannot sign the documents. Hence, it uses a common seal on which its name is engraved. Putting the common seal on papers, is equivalent to that of signatures of a human being.

5) **Limited liability** The liability of the shareholders of a company is normally limited to the amount of shares held or guarantee given by them.

6) **Transferability of shares** No shareholder is forever wedded to the company. Subject to certain conditions, the shares are freely transferable. The private companies do impose some restrictions on the transfer of shares.

7) **Diffusion of ownership and management** In this form of organisation, entrepreneur should clearly understand there exists separation of ownership from management. As the shareholders could be scattered across country here, they give the right to the directors to manage the company's affairs.

8) **Number of members** Private company: Minimum required members : 2
Maximum members : 200. Public company: Minimum requirement : 7
Maximum number : No limit

9) **Limitation of action** The scope of this artificial person is determined by: a)

	<p>The Indian Companies Act b) Memorandum of Association c) Articles of Association Any work done beyond what is stated in these documents can lead to winding up of the process of the company.</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 style="text-align: center;">(Any 6 points explained)</p>	
34	<p>Source based question:</p> <p>The franchise business in India is becoming increasingly popular among domestic and international players across many sectors. Consequently, some of the major industries credit successful franchising for their rapid progress in India. According to KPMG India, the key industries with the highest prospects of successfully franchising in India are: (i) retail; (ii) food and beverages; (iii) health, beauty, and wellness; (iv) consumer services; and (v) education and training.</p> <p>As a business model, franchising is becoming especially widespread in India's metropolitan areas¹² gaining a firm foothold since the government started loosening financial regulations in the early 1990s to encourage a free-market economy. Today India is home to more than 3,000 brands which adopt the franchising model: Bata, one of the leading footwear companies, was among the first franchisors in India; other pioneers of Indian franchising were NIIT, Apollo Hospitals, and Titan Watches. Global franchise companies in India include Barista Lavazza, Baskin Robbins, Booster Juice, California Pizza Kitchen, Chile's, Cinnabon, The Coffee Bean, Domino's, Dunkin Donuts, Hard Rock Café, KFC, McDonald's, Pinkberry, Pizza Hut, Quiznos, Sbarro, Starbucks, Subway, TGI Friday's, Wimpy's, YogurBerry, and Yum Brands.</p> <p>Despite certain concerns, the future for franchising in India is bright. Over the years, India has become an attractive destination for business investments due to the rapid growth of consumerism, globalization, and liberalization. India enjoys a positive economy, large consumer market, and loosening government restrictions. The window of opportunity in India is open. But foreign franchisors should make sure to conduct a thorough investigation and evaluation of business opportunities (taking into account the many legal, political, business, and cultural barriers that may exist) before committing long-term to franchising in India.</p> <p>(a) Why foreign investors are interested to adopt franchising model to expand their business in India? State one reason. (b) Explain the advantages gained by Indian firms from such agreements.</p> <p>(a)Quick Expansion. Cost advantages (Any 1 point)</p>	6

	<p>(b)</p> <ul style="list-style-type: none"> ➤ Product acceptance : The franchisee usually enters into a business that has an accepted name, product or service. The franchisee does not have to spend resources trying to establish the credibility of the business ➤ Management expertise: Another important advantage to the franchisee is the managerial assistance provided by the franchisor. Each new franchisee is often required to take a training program on all aspects of operating the franchise. ➤ Capital requirements: Starting a new venture can be costly in terms of both time and money. The franchise offers an opportunity to start a new venture with up-front support that could save the entrepreneur's significant time and possibly capital. The layout of the facility, control of stock and inventory and the potential buying power of the entire franchise operation can save the entrepreneur significant funds. ➤ Knowledge of the market: Any established franchise business offers the entrepreneur years of experience in the business and knowledge of the market. This knowledge is usually reflected in a plan offered to the franchisee that details the profile of the target customer and the strategies that should be implemented once the operation has begun. ➤ Operating and structural controls: The supplies are actually provided by the franchisor. Standardization in the supplies, products and services provided helps ensure that the entrepreneur will maintain quality standards that are so important. Administrative controls unusually involve financial decisions related to costs, inventory and cash flow. <p style="text-align: center;">(5 points explained) [1+5]</p>																											
35	<p>Raman is a potential investor who wishes to be a part of Equity Linked Saving Scheme (ELSS). He has given the particulars of companies to seek your advice on investment. Compare the Return on Equity of the two companies and suggest Raman where should he invest.</p> <table border="1" data-bbox="250 1325 1018 1776"> <thead> <tr> <th>Particulars</th> <th>Alpha Ltd. (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Total Investment</td> <td>20,00,000</td> </tr> <tr> <td>Owners Fund</td> <td>10,00,000</td> </tr> <tr> <td>Borrowed Fund</td> <td>10,00,000</td> </tr> <tr> <td>Interest on loan</td> <td>60,000</td> </tr> <tr> <td>Annual Sales</td> <td>10,00,000</td> </tr> <tr> <td>Cost of goods sold</td> <td>7,00,000</td> </tr> <tr> <td>Salaries</td> <td>24,000</td> </tr> <tr> <td>Utilities</td> <td>75,000</td> </tr> <tr> <td>Depreciation</td> <td>5,500</td> </tr> <tr> <td>Tax rate</td> <td>20%</td> </tr> </tbody> </table> <table border="1" data-bbox="250 1845 839 1881"> <thead> <tr> <th>Particulars</th> <th>Alpha Ltd. (Rs.)</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> </tbody> </table>	Particulars	Alpha Ltd. (Rs.)	Total Investment	20,00,000	Owners Fund	10,00,000	Borrowed Fund	10,00,000	Interest on loan	60,000	Annual Sales	10,00,000	Cost of goods sold	7,00,000	Salaries	24,000	Utilities	75,000	Depreciation	5,500	Tax rate	20%	Particulars	Alpha Ltd. (Rs.)			6
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Total Investment	20,00,000
Owners Fund	10,00,000
Borrowed Fund	10,00,000
Annual Sales	10,00,000
Cost of goods sold	7,00,000
Gross profit	3,00,000
Salaries	24,000
Utilities	75,000
Depreciation	5,500
Interest on loan	60,000
Total fixed expenses	1,64,500
NPBT	1,35,500
Tax	(27,100)
NPAT	1,08,400

ROI = 1,08,400/20,00,000 x 100 = 5.42%

ROE = 1,08,400/10,00,000 x 100 = 10.84%