



INDIAN SCHOOL AL WADI AL KABIR

UNIT TEST 1 2022-23

CLASS XII

SUB: ENTREPRENEURSHIP

MAX. MARKS: 30

ANSWER KEY

SECTION A		
1.	<p>A young man, Arvind 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 Arvind 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 Arvind spotted the trend.</p> <p>A. Watch trend B. Read Trend C. Talk trend D. Think Trend</p>	1
2.	<p>‘First School Ltd.’ is an acclaimed infrastructure development company. It designs the buildings for educational institutions in a unique way to give the maximum benefits of nature to the different stakeholders in the institution. Generally, the buildings have been designed by them in such a way that during the day maximum sunlight is utilized and solar panels conserve solar energy for the rest of the day. This helps to conserve electricity, reduce carbon monoxide emission and reduce the electricity bill.</p> <p>Which macro environmental factor is considered by First School Ltd.?</p> <p>A. Legal B. Social C. Political D. Ecological</p>	1
3.	<p>The process of converting an idea into an opportunity and then into an enterprise is called as _____.</p> <p>A. Creative process B. Environment Scanning C. Sensing entrepreneurial opportunities D. Trend Analysis</p>	1
4.	<p>Krunal opened a car repairing shop on Delhi-Agra highway.</p> <p>Which idea field does it refer to?</p> <p>A. Service Related</p>	1

	<p>B Trading related C. Natural Resource D. Creative efforts</p>	
5.	<p>Assertion (A): Mutual agency as a characteristic of partnership states that each partner is liable for the acts performed by the other partners. Reason (R): The partners of a firm have unlimited liability. A. Assertion is true but Reason is false. B. Both Assertion and Reason are true, but Reason is not the correct explanation of Assertion C. Both Assertion and Reason are true, but Reason is not the correct explanation of Assertion D. Both Assertion and Reason are false.</p>	1
6.	<p>Kapil has decided to start his venture in manufacturing plastic toys. He wants to get a road map for himself as to how to proceed and also wants to avail loan from financial institution. This requires him to prepare a _____. A. Business Plan B. Feasibility Study Report C. Annual Report D. Market Survey Report</p>	1
7.	<p>Ankit and Ritesh have started a car rental company named Vehicles 24x7 Pvt Ltd. How many more members they can have for their company? A. 50 B. 198 C. 200 D. 48</p>	1
8.	<p>Camcord 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, Abhay Mittal heard about HFCL, a finance organization who are ready to invest in new ideas. He sought an appointment with them and instructed his team members to prepare a business plan to be presented before the HFCL. 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 Abhay Mittal and his team needs to prepare? A. Elevator Pitch B. A pitch deck with oral narrative C. A written presentation for external stakeholders D. An internal operational plan</p>	1
SECTION B		

9.	<p>It is described as an attractive economic idea which could be implemented to create a business, earn profits and ensure further growth.</p> <p>(a) Identify the concept described above.</p> <p>(b) List any two elements of the concept identified in (a).</p> <p>Ans(a) Business opportunity</p> <p>(b) Assured market scope • An attractive and acceptable rate of return on investment • Practicability of the idea • Competence of the entrepreneur to encash it • Potential of future growth</p>	2
10.	<p>Briefly explain any two benefits that a business environment.</p> <p>Identification of opportunities to get first mover advantage: By keeping in touch with the changes in the external environment, an enterprise can identify opportunities and find strategies to capitalise on the opportunities at the earliest.</p> <p>Formulation of strategies and policies: It helps in identifying threats and opportunities in the market. These can serve as the basis of formulation of strategies to counter threats and capitalise on opportunities in the market.</p> <p>Tapping useful resources: If the company has a thorough knowledge of the external environment, it can tap raw materials, technology and even financial resources from the market at economical prices, at the right time.</p> <p>Better performance: Proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities for the purpose of improvement in the performance of the firm.</p> <p>Sensitisation of entrepreneurs to cope up with rapid changes: A keen watch on the trends in the environment would help sensitise the entrepreneur to changing technology, competition, government policies and changing needs of the customers.</p> <p>Image building: If a company is sensitive to the external environment, it will come out with new products and services to meet the requirements of the customers. This would build the image or reputation of the firm in the eyes of the general public.</p>	2
11.	<p>Gautami started her business of manufacturing designer furniture in Lonavala. Her business was a huge success and she thought of starting a designer studio involving huge capital in Mumbai as well as in Pune. Her friends wanted to join hands with her and open the same. They approached a chartered accountant and he suggested them to form a private company as according to him this form of company is more desirable.</p> <p>State any four privileges of a private company that make it a more desirable than a public company.</p> <p>A substantial number of entrepreneurs prefer to form a private company because of the following important privileges: 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 company can file a statement in lieu of prospectus with the Registrar of Companies. 4) It can commence its business immediately after incorporation.</p>	2

	<p>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 of index of members is not required by a private company. 10) Directors of the private company need not have qualification shares.</p>	
SECTION C		
12.	<p>Arun started a packing factory in the small plot of land inherited from his father. Arun 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 as a start-up. He contributed Rs.2,00,000 from his personal fund and obtained a loan of Rs.3,00,000 from the bank by mortgaging the land.</p> <p>(a) Advise him, where he must disclose the source of his fund, under Financial Plan while preparing the Business Plan. (b) Briefly discuss any other two components of Financial Plan.</p> <p>(a) Proforma Financing Decision (b) Proforma investment decisions: Proforma income statement Proforma cash flow Proforma balance sheet Break-even Point, Socio Economic Variable.</p> <p style="text-align: center;">OR</p> <p>Deepika wanted to pitch in to reduce the financial crisis prevailing in her house and thought of working as a cook. She started working in three different households, one Punjabi, one Gujrati and one South Indian family. She soon realised that all the three households have different cuisine. All the families greatly appreciated the time frame within which she had mastered the local cuisine. After working for them for a year, she decides to open a small eating joint of her own along with two of her friends named Apna Bhoj. They decided to share profits equally and every partner is supposed to act honestly and give proper accounts to other partners. Soon the eatery became a hotspot because of the fusion platter which was being offered.</p> <p>(i) Identify the kind of business organization which was set up by Deepika and her friends. (ii) Quoting the lines from the paragraph, state the features of this form of business organization.</p> <p>(i) Partnership (ii) Profit sharing, They decided to share profits equally Utmost good faith, every partner is supposed to act honestly and give proper accounts to other partners.</p>	3
13.	<p>The Indian economy has been subjected to a series of positive economic reforms since 1991 which had created a better working environment for foreign companies</p>	3

and has made it possible for foreign investors to operate in the country more easily. Taking into consideration the polity in India as a whole, the bureaucracy complications and the regulatory FDI controls and regulations, it is safer for it to enter India only via a joint venture or a strategic alliance with an Indian company that can provide a buffer from possible political tension. Furthermore, it can face some opposition from the existing competitors like CCD, Barista, etc. It has opportunity to increase its revenues based on increasing demand for speciality coffee, which is due to a growing coffee culture and a growing middle class around the world. Also, the company has the opportunity to widen its array of more healthful products to attract health-conscious consumers to its cafés. The company also has the opportunity to improve its supply chain efficiency based on new technologies used by coffee farmers. However, the rising availability of home-use speciality coffee machines is a threat to the company because it increases the availability of substitutes to its products. The company also has planned to offer most of its products in recyclable packaging. However, increasing employment regulation, especially in developing countries, threatens its access to the labour market.

Quoting the lines from the above paragraph, identify the any three macro environmental factors that a coffee selling company should consider to enter the Indian market.

The Indian economy has been subjected to a series of positive economic reforms since 1991 which had created a better working environment for foreign companies and has made it possible for foreign investors to operate in the country more easily. POLITICAL

Taking into consideration the polity in India as a whole, the bureaucracy complications and the regulatory FDI controls and regulations, it is safer for it to enter India only via a joint venture or a strategic alliance with an Indian company that can provide a buffer from possible political tension. POLITICAL

It has opportunity to increase its revenues based on increasing demand for speciality coffee, which is due to a growing coffee culture and a growing middle class around the world. SOCIAL

The company also has the opportunity to improve its supply chain efficiency based on new technologies used by coffee farmers. However, the rising availability of home-use speciality coffee machines is a threat to the company because it increases the availability of substitutes to its products. TECHNOLOGICAL

The company also has planned to offer most of its products in recyclable packaging. ECOLOGICAL

However, increasing employment regulation, especially in developing countries, threatens its access to the labour market. LEGAL

SECTION D		
14.	<p>Explain the steps involved in the creative process.</p> <p>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.</p> <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 Idea then market research is conducted. That happens because the seed of curiosity has taken form of an idea, the entrepreneurs foresee the future of the product.</p> <p>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.</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. This is the developing stage in which knowledge is developed into application.</p> <p style="text-align: center;">OR</p> <p>Explain the factors involved in sensing opportunities</p> <p>Ability to perceive and preserve basic ideas Spotting an idea often triggers the process of sensing an opportunity. The following are the various sources which lead to the emergence of basic ideas. a) Problems: When a problem exists, an idea leads to a solution to resolve that problem, it emerges as a business opportunity. b) Change: A change in social, legal, technological aspects etc. leads to new opportunities to start a business. c) Inventions: New products or services leads to new business opportunities. d) Competition: Competition often results in emergence of new and better ideas that result in new business opportunities. e) Innovation: Creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.</p> <p>Ability to harness different sources of information Various sources like magazines, journals, books, seminars, trade shows, family members, customers, friends etc. help in getting information that results in evolution of basic ideas. Bring together various sources of information and knowledge, and analyze it to the best possible extent. The analysis helps in the identification of the right opportunity to start a new business.</p> <p>Vision and creativity Creativity in innovating a solution and vision. The entrepreneur should be able to creatively identify an idea to generate a</p>	5

	<p>valuable solution to a problem. Once the solution is identified their vision to convert the solution into business opportunity helps them to move forward, overcoming all the obstacles. They constantly a) overcome adversity b) exercise control over the business c) make a significant difference.</p>	
15.	<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 five characteristics of this form of business. Individual ownership: This business is exclusively owned by a single person. Individual management and control: "What is to be done, how it is to be done, and when it is to be done" - 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 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</p>	5