



INDIAN SCHOOL AL WADI AL KABIR

First Rehearsal Examination 2023-24

ENTREPRENEURSHIP (066)

ANSWER KEY

Section A		
1	<p>Given below are the factors necessary for developing a successful idea. Identify the correct combinations from the given options.</p> <p>A. Skills and Knowledge B. Trends and demand C. Skills, Knowledge and competencies D. Trends, demand and change</p>	1
2	<p>'Polymer Ltd' decided to diversify into manufacturing pipes and plastic household products apart from their water tanks business. Their finance and marketing department decided to adopt any of the two pricing strategies –</p> <p>i. adding a certain percentage of profit to the cost of production ii. selling at a lesser price so as to capture a huge market. They put forward their funding strategy to the CEO.</p> <p>The suggested pricing strategies are: 1. Cost-plus pricing 2. Skimming pricing 3. Penetration pricing 4. Competitive pricing</p> <p>Choose the correct option:</p> <p>A. 1,2 B. 2,3 C. 3,4 D. 1,3</p>	1
3	<p>Which amongst the following values would help an entrepreneur to determine the Return on Investment?</p> <p>1. Net Profit 2. Inventory carrying cost per unit. 3. Total Capital Invested 4. Weighted average contribution.</p> <p>Choose the correct option:</p> <p>A. 1,3,4 B. 1,3 C. 1,2,3 D. 3,4</p>	1
4	<p>Vinit innovated a new pen which can read any text when placed on top of a newspaper which definitely helps blind and old people who are unable to read. Identify the Intellectual Property rights he wishes to have in order to legally protect his product.</p> <p>A. Patent B. Copyright</p>	1

	C. Trademark D. Trade Secret	
5	<p>Assertion (A) : Under the types of business plan ,a detailed plan describing planning details that are needed by management is called internal operation plan. Reason(R) : An internal operation plan may not be of interest to external stakeholders because it is mainly related to the design of management.</p> <p>A. Assertion (A) is true but Reason (R) is false B. Both Assertion (A) and Reason (R) are true, and R is the correct explanation of A C. Both Assertion (A) and Reason (R) are true, but R is not the correct explanation of A D. Both A and R are false.</p>	1
6	<p>Zigma Ltd., a pharmaceutical company develops a new treatment for baldness. There is an anticipated a market of 6 million bald men for the innovative product. The company also assumes that 50% of the potential customers are prepared to pay a high price for the product. So, the Company decides to price their products very high to target ‘early adopters’ for a limited duration. Identify the pricing strategy adopted by Zigma Ltd.</p> <p>A. Cost plus B. Price Skimming C. Penetration Pricing D. Variable Pricing</p>	1
7	<p>Pradeep and Sudeep were not being able to agree on the method they would like to choose for issuing their shares. Pradeep said that they should issue their shares to the existing employees as this will lead to higher efficiency. On the other hand, Sudeep wanted to issue shares to the smaller number of sophisticated investors as this will not let the management slip from their hands. The method suggested by Sudeep is:</p> <p>A. Private placement B. Right issue C. Public Offer D. Offer to employees</p>	1
8	<p>Beta Ltd. is a steel manufacturing company having its headquarters at Mumbai. It is the tenth largest steel manufacturing company of the world. Gama Ltd. are also steel manufacturers with their headquarters in Rangoon, the capital of Myanmar. For a long period the company (Gama Ltd.) had been facing workers unrest and it decided to sell its business to an international bidder. The highest bid for this was made by Beta Ltd. for ₹10 lakh crores. Identify the type of external expansion in the above case:</p> <p>A. Merger B. Franchise C. Acquisition D. Joint Venture</p>	1

9	Total billed amount for a restaurant is ₹23,200, number of customers are 80 and the cost per unit is 60% of the sale price. What is the Gross Margin per unit? A. ₹290 B. ₹174 C. ₹116 D. ₹48	1
10	Entrepreneur is “The Person” who always searches for the opportunity and initiates steps to produce and sell goods and services which is “The Process” and “The Outcome” is the enterprise. From the following identify “The Process”: A. Opportunity B. Entrepreneurship C. Problem Identification D. Both (A) and (C)	1
11	_____ is required by an entrepreneur for conducting research at pre-commercialization stage. A. Working Capital B. Fixed Capital C. Bridge Finance D. Seed Capital	1
12	Assertion (A): Above-the-line promotions use mass media methods. This type of promotion focuses on advertising to a large audience. Reason (R): Above-the-line activities include advertisements in the press. They also produce online banner advertisements, place advertisements on billboards and use their website. A. A is true but R is false. B. Both A and R are true, but R is not the correct explanation of A C. A is true and R is the correct explanation of A D. Both A and R are false.	1
13	(1) Cash Conversion Cycle/operating cycle represents the number of days a firm's cash remains tied up within the operations of the business. (2) For trading concern the operating cycle will be longer than manufacturing concern. (3) Longer the operating cycle means working capital quantum is more. Which statements are true regarding Cash Conversion Cycle? A. Both 1 and 3 B. Both 1 and 2 C. Both 2 and 3 D. 1, 2 and 3	1
14	The (i)_____ aims at "plan your work" and (ii)_____ ensures "work your plan". Select the correct option to fill in the blanks: A. (i)Marketing Plan; (ii)Production Plan B. (i)Operational Plan; (ii)Production Plan	1

	C. (i)Financial Plan; (ii)Manpower Plan D. (i) Production Plan; (ii) Operational Plan	
15	Oppo is a leading mobile phones manufacturer in India. The company decided to launch a new model which will have inbuilt software for hand-free use and enhance the customer experience through 3D photos. They are also looking into ideas to use eco-friendly recyclable materials for the body of the phones that may cause negligible damage to the environment. Identify the factor of the PESTEL model discussed here. A. Social and Political B. Economic and Social C. Ecological and Technological D. Legal and Economic	1
16	As a chemistry enthusiast, Atharva was always very innovative and wanted to try out new things. He had an idea of making a new stain remover which will help in removing stains very fast from clothes. He conducted market research to find out the various stain removers available in the market to foresee the future of the product in the market. Currently he is in which stage of creative process? A. Idea germination B. Preparation C. Incubation D. Illumination	1
17	"One-man control is best in the world if that man is big enough to manage everything." This statement holds true for _____ form of business organization. A.Private company B.Partnership C.Public company D.Sole proprietor	1
18	Exploring opportunities in the environment is a process involving various steps. i) Evaluating the ideas received from different sources to find a creative solution ii) Identifying a product or service through innovation iii)Opportunity spotting by analysing the needs and problems that exist in the environment iv)Setting up a project and nurturing it to success Arrange the above steps in correct order. A. i-ii-iii-iv B. iii-i-ii-iv C. ii-iii-iv-i D. i-iv-iii-ii	1
Section B		

19	<p>Harsh, Jay, Himanshu and Lokesh were childhood friends. They studied together till class XII from CBSE board. After completing their studies, Harsh and Jay became doctors and Himanshu and Lokesh became Engineers. All of them had good earnings but they wanted to start their own business as they were creative and innovative too. Harsh and Jay had an idea to manufacture a machine which would help the surgeons in doing medical tests in no time and also help in doing surgery without much blood loss. Himanshu and Lokesh liked the idea very much and agreed to it, but soon they all realized that they did not have enough capital to start the business. They estimated that approximately 3 crores would be required to finance the project, which would be collected by them from their friends and relatives. They also wanted their private properties should not be used to pay off the liabilities of the business.</p> <p>(i) Name the suitable type of business organisation to be formed by Harsh, Jay, Himanshu and Lokesh.</p> <p>(ii) State one reason for your answer.</p> <p>(i) Private Limited Company</p> <p>(ii) Not to put private property into risk.</p>	2
20	<p>i) State any two purposes of 'Logo'.</p> <p>1) Logos are a critical aspect of business marketing. As the company's major graphical representation, a logo anchors company's brand. 2) Corporate Logo are intended to be the "Identity" of an enterprise because of displaying graphically enterprise's uniqueness. 3) Through a set color combination, fonts, images, impression and/or pattern, logos provide essential information about a company that allows customers to relate with the enterprise's core brand. 4) Enterprises normally resort to logos' as a short path for advertising and other marketing materials. 5) Logos act as the key visual component of an enterprise's overall brand identify.</p> <p style="text-align: center;">OR</p> <p>ii) State any two roles of a salesperson.</p> <p>A salesperson plays three different roles • Be persuasive • A service provider • Be informative</p>	2
21	<p>i) State any two uses of Break-even analysis.</p> <p>Calculation of BEP is quite useful for the entrepreneur as it helps in assessing: 1) The minimum level of output to be produced. 2) The effect of change in quantity of output upon the profits. 3) The selling price of the product. 4) The profitable options in line of production.</p> <p style="text-align: center;">OR</p> <p>ii) State any two points that an Organisational Plan mentions about a venture's ownership.</p> <p>The organizational plan is that part of the business plan that describes the proposed venture's opted form of ownership adequately mentioning: i) the terms and conditions associated with the selected form ii) lines of authority and responsibility of members of the new venture iii) the names, designation, addresses and resumes of the members iv) stake of members in the organisation v) roles and responsibilities of each member vi) procedure for solving conflicts/disputes amongst members vii) forms of payment for the members of the organisation viii) voting rights, managerial and controlling rights of the members.</p>	2

22	<p>StayKonnnect and Airfone are two broadband provider companies operating in South-East Delhi. Both are of similar size and close competitors and have developed their strong customer base over the years. The COVID-19 pandemic made the offices and schools switch their customer base online. Just then a multinational service provider company, Zoomex entered the market and launched its services at a much cheaper price with better connectivity. To counter the threat posed by the company Zoomex, both companies StayKonnnect and Airfone decided to work together and combined to form a new company IndiaTel.</p> <p>Identify and define the form of merger that took place between StayKonnnect and Airfone.</p> <p>Amalgamation, two entities combine together and form a new entity, extinguishing both the existing entities.</p>	2
23	<p>What is the final step in the process of innovation? Define the preceding step of the final step.</p> <p>Commercial Application.</p> <p>Implementation: Applying the resources in order to accomplish the plans and delivering results</p>	2
24	<p>The quantity of jeans sold by a shop is 1,200 per month @ of ₹1100/-. The cost of placing an order and receiving goods is ₹1500/- per order. The inventory holding cost is ₹40 per annum. What is the economic order quantity for the shopkeeper?</p> <p>EOQ = $\sqrt{2 \times 1,500 \times 1,200/40}$ = $\sqrt{90,000}$ = 300 units.</p>	2
Section C		
25	<p>Arpit, an entrepreneur, was short of capital. He was worried about the fact as to how he will reach out to his customers. He met his friend who is at present working in a start-up firm. He explained to Arpit a way to reach customers without any middlemen which will help him overcome the shortage of cash. So, Arpit decided to keep his channel of distribution simple as advised by his friend.</p> <p>a) Identify the channel of distribution adopted by Arpit. b) Explain the channel of distribution identified in (a) c) State an advantage of this type of channel.</p> <p>a. Direct channel-zero level</p> <p>b. This is the simplest and shortest channel in which no middlemen is involved and producers directly sell their products to the consumers.</p> <p>c. It is fast and economical channel of distribution.</p>	3
26	<p>i) What are the three most likely situations which arise before any firm while preparing the production plan?</p> <p>No manufacturing involved; Partial manufacturing; Complete Manufacturing</p> <p style="text-align: center;">OR</p> <p>ii) Define any three component that is shown under introductory profile of a business plan.</p> <p>Entrepreneur's bio-data; Industry's profile; Constitution and organization; Product details (Any 3)</p>	3

27	<p>Kavita started a boutique named ‘Stylo queens. She replaced old sewing machines with new ones during the pandemic to manufacture masks and PPE kits. Gradually her boutique became popular and seeing the swelled-up demand for her products she further installed extra machines to cater to the growing demand of the increasing customers. From the profits earned, she decided to further expand the business by starting a new business of cushion covers and bed sheets.</p> <p>a) Identify the type of expansion mentioned above. b) What is the net result of such an expansion? c) State two more ways of financing such expansion apart from the one mentioned in the above case.</p> <p>a. Internal expansion b. The net result of internal expansion is the increase in business activities and broadening the present capital structure. c. issue of more share capital; issuing long–term securities</p>	3
28	<p>Explain any three characteristics of partnership. Two or more persons; Agreement; Profit sharing; Unlimited liability; Implied authority; Utmost good faith; Restriction on transfer of shares; Continuity</p> <p style="text-align: center;">OR</p> <p>Explain any three characteristics of sole proprietorship. Individual ownership; Individual management and control; Individual financing; No separate legal entity; Unlimited liability; Sole beneficiary; Easy formation and closure; Limited area of operation;</p>	3
29	<p>What is meant by capital market? Why is it considered as most important source of raising finance? A capital market may be defined as an organized mechanism meant for effective and smooth transfer of money capital or financial resources from the investors to the entrepreneurs. Capital markets are the most important source of raising finance for the entrepreneurs as this market can: a) Mobilize the financial resources on a nation-wide scale. b) Secure the required foreign capital and know-how to promote economic growth at a faster rate. c) Ensure the most effective allocation of the mobilized financial resources by directing the same either to such projects which are capable of the highest yield or to the underdeveloped priority areas where there is an urgent need to promote balanced and diversified industrialization.</p>	3
Section D		
30	<p>We often hear CEOs saying that Mergers & Acquisitions are inspired by a desire to diversify or achieve higher growth, though the reasons can be varied. In the light of above statement, discuss the common reasons for M&A. Synergy; Acquiring new technology; Improved profitability; Acquiring a competency; Entry into new markets; Access to funds; Tax benefits</p> <p style="text-align: center;">OR</p> <p>Explain with examples the types of franchise business. Product franchise business opportunity: Manufacturers use the product franchise to govern how a retailer distributes their products. The manufacturer grants a store owner the authority to distribute goods by the manufacturer and allows the owner to use the name and trademark owned by the manufacturer. The store owner must pay a fee or purchase a minimum inventory of stock in return for these</p>	5

	<p>rights. Some tire stores are good examples of this type of franchise. Manufacturing franchise opportunity: These types of franchises provide an organization with the right to manufacture a product and sell it to the public, using the franchisor's name and trademark. This type of franchise is found most often in the food and beverage industry. Most bottlers of soft drinks receive a franchise from a company and must use its ingredients to produce, bottle and distribute the soft drinks.</p> <p>Business franchise opportunity ventures: These ventures typically require that a business owner purchases and distributes the products for one specific company. The company must provide customers or accounts to the business owner, and in return, the business owner pays a fee or other consideration as compensation. Examples include vending machine routes and distributorships.</p> <p>Business format franchise opportunity: This is the most popular form of franchising. In this approach, a company provides a business owner with a proven method for operating a business using the name and trademark of the company. The company usually provides a significant amount of assistance to the business owner in starting and managing the company. The business owner pays a fee or royalty in return.</p>	
31	<p>In 2015 AIO Ltd, started a toy manufacturing unit using robot technology. The toys manufactured by the company became popular amongst children. But since the cost of the toys was high, the company could not earn good profit. The business is of high risk along with higher expected returns. The company wants to increase production so that they can reduce cost per unit. For this the company wants additional investment of Rs. 50 lakhs. The company approached Ashok who has just retired from Indian Space Research Organisation and who is an influential person. Ashok agreed to give the loan to the company provided that his loan is converted into equity shares after two years. The company agreed to Ashok's proposal.</p> <p>(a) What type of source of finance is Ashok? (b) Discuss any five features of the source identified in (a)</p> <p>(a) Angel Investor (b) Most angel investors are current or retired executives, business owners or high net worth individuals who have the knowledge, expertise, and funds that help start-ups match up to industry standards.</p> <p>As angel investors bear extremely high risk and are usually subject to dilution from future investment rounds. They expect a very high return on investment. Apart from investing funds, most angels provide proactive advice, guidance, industry connections and mentoring start-ups in its early days. Their objective is to create great companies by providing value creation, and simultaneously helping investors realize a high return on investments. They have a sharp inclination to keep abreast of current developments in a particular business arena, mentoring another generation of entrepreneurs by making use of their vast experience.</p>	5
32	<p>i) Explain any five types of idea field. Natural resources; Existing products or services; Market driven or demand driven ideas; Trading related ideas; Service Related; creative efforts</p> <p style="text-align: center;">OR</p> <p>ii) Explain the first five steps to be followed while preparing marketing plan.</p>	5

	1) Business situation analysis; 2) Identify the target market; 3) Conduct SWOT analysis; 4) Establish goals; 5) Define marketing strategy; 6) Implementation and monitoring of the plan																																					
33	<p>KPCL Ltd. manufactures variants of Green tea, viz. Jasmine Green, Earlgray Green, Tulsi Green They sell tea in a packaging of 25 tea bags in a corrugated box.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Jasmine Green</th> <th>Earlgray Green</th> <th>Tulsi Green</th> </tr> </thead> <tbody> <tr> <td>Sales price per unit (in Rupees)</td> <td>100</td> <td>80</td> <td>50</td> </tr> <tr> <td>Variable cost per unit (in Rupees)</td> <td>50</td> <td>40</td> <td>20</td> </tr> <tr> <td>Sales Mix %</td> <td>20</td> <td>30</td> <td>50</td> </tr> </tbody> </table> <p>Total fixed cost = ₹ 14,80,000 Calculate the breakeven point in units and rupees for each variety of tea.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Jasmine Green</th> <th>Earlgray Green</th> <th>Tulsi Green</th> </tr> </thead> <tbody> <tr> <td>Sales price per unit (in Rupees)</td> <td>100</td> <td>80</td> <td>50</td> </tr> <tr> <td>Variable cost per unit (in Rupees)</td> <td>50</td> <td>40</td> <td>20</td> </tr> <tr> <td>Contribution</td> <td>50</td> <td>40</td> <td>30</td> </tr> <tr> <td>WAC</td> <td>10</td> <td>12</td> <td>15</td> </tr> </tbody> </table> <p>TWAC = 10 + 12+ 15 = Rs.37 Total BEP = 14,80,000/37= 40,000 units BEP for Jasmine Green = 8,000 units Earlgray Green = 12,000 Tulsi Green = 20,000 BEP in Rs. Jasmine = Rs. 8,00,000 Earlgray = Rs.9,60,000 Tulsi = Rs. 10,00,000 Total = Rs.27,60,000</p>	Particulars	Jasmine Green	Earlgray Green	Tulsi Green	Sales price per unit (in Rupees)	100	80	50	Variable cost per unit (in Rupees)	50	40	20	Sales Mix %	20	30	50	Particulars	Jasmine Green	Earlgray Green	Tulsi Green	Sales price per unit (in Rupees)	100	80	50	Variable cost per unit (in Rupees)	50	40	20	Contribution	50	40	30	WAC	10	12	15	5
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34	<p>Karthik is in the business of manufacturing laptop components since 2010. They have been supplying their parts to all major manufacturers. His son Harsh took over the factory in 2022. He had done his master’s in business administration and wanted to expand the operations of the company. He planned to start manufacturing laptops to be sold in the Indian market. He discussed the idea with his financial team. They estimated the cost of the project to be around ₹65 crores. They decided to take the required funds from potential investors. The financial team of the company decided to plan which will explain to the potential investor the ways and means of how the entrepreneur plans to meet all financial obligations.</p> <p>Explain any five contents of the component of business plan referred in the above case.</p> <p>Major financial items that should be included in the financial plan are: a) Proforma investment decisions b) Proforma financing decisions c) Proforma income statements d) Proforma cash flow e) Proforma balance sheet f) Break-even analysis g) Economic and social variables</p>	5																																				

