INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Chapter 4 - OTQ&DTQ Objective & Descriptive Type Questions	Topic: Enterprise Growth Strategies

Q. No.	OBJECTIVE TYPE QUESTIONS
1	Nova Pvt. Ltd., a rapidly growing technology startup, decides to convert into a public company to raise funds from the stock market. After public listing, the management faces several new challenges: • They are required to submit detailed reports to shareholders and regulatory authorities regularly. • Media attention increases and every corporate decision is scrutinized publicly. • Dividend expectations of shareholders put pressure on consistent profit growth. • The company becomes potentially vulnerable to hostile takeovers. • Senior management feels that their control over strategic decisions has reduced. Based on the above situation, which of the following is NOT a drawback of going public? (A) Loss of privacy due to media attention. (B) Pressure to maintain dividend and profit growth trends. (C) Increased accountability to shareholders and regulatory bodies. (D) Ability to raise additional capital from a larger pool of investors.
2	When a company raises capital by issuing securities to the public for the first time, it is considered to be _____ market activity. (i) Primary Market (ii) Secondary Market (iii) Venture Capitalists Options: (A) Only (i) (B) Only (ii) (C) (i) and (iii) (D) (ii) and (iii)
3	Beta Ltd., a steel manufacturing company with its headquarters at Mumbai and ranked as the tenth largest steel manufacturer in the world, decided to purchase Gama Ltd., a steel company based in Chennai. Gama Ltd. was facing significant worker unrest and chose to sell its business to the highest bidder. Beta Ltd. made the highest bid of ₹10 lakh crore. Identify the type of external expansion indicated in the above scenario and choose the correct option. (A) Merger (B) Franchising

<table>
<tr><td></td><td>(C) Acquisition
(D) Internal Expansion</td></tr>
<tr><td>4</td><td>Infotech Pvt. Ltd. wants to raise additional capital at a very short notice for expanding its AI-based product line. The Management decided not to raise funds from the general public. Instead, they decided to approach a small group of selected investors, including venture capitalists and high-net-worth individuals. Identify which of the following is NOT a benefit of the method of floatation of new issue opted in the above case?
(A) Results in lower costs compared to public offerings.
(B) Provides access to sophisticated and institutional investors.
(C) Enables fund-raising without detailed public disclosure.
(D) Offered to the existing shareholders, who may either subscribe or renounce.</td></tr>
<tr><td>5</td><td>Given below are types of mergers with examples of each. Match them correctly.

<table><tr><th>Column A- Types of Mergers</th><th>Column B- Examples</th></tr><tr><td>i. Vertical Merger</td><td>a. A watch manufacturer acquiring a cement manufacturer</td></tr><tr><td>ii. Market Extension merger</td><td>b. Bank of Madura merged with ICICI Bank</td></tr><tr><td>iii. Conglomerate</td><td>c. A textile company acquires a cotton yarn manufacturer</td></tr><tr><td>iv. Horizontal Merger</td><td>d. Hindustan Unilever Company acquired Lakme, it helped HUL to enter the cosmetics market</td></tr></table>
A. i-a ,ii-b ,iii- c ,iv-d

B. i-c ,ii-d ,iii- a ,iv-b

C. i-a ,ii-c ,iii- b ,iv-d

D. i-c ,ii-b ,iii- a ,iv-d

B. i-c ,ii-d ,iii- a ,iv-b</td></tr>
<tr><td>6</td><td>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? SQP 2022
A. Merger is always friendly, whereas acquisition is always hostile.
B. Merger may be friendly, whereas acquisition is always hostile.
C. Merger is always depending on synergy, whereas acquisition is never based on synergy.</td></tr>
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	D. Merger is consensual, whereas acquisition is forced.
7	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. A. Business format franchise opportunity B. Business franchise opportunity ventures C. Manufacturing franchise opportunity D. Product franchise business opportunity
8	When two or more companies combine to form a new company, the process is called: A. Absorption B. Amalgamation C. Franchising D. Licensing
9	Fitness Ltd., a leading manufacturer of athletic shoes decided to join together with Fizz Up, an energy drink manufacturing company especially for sports people. The new company, Fitness Up, would help the existing companies to extend their markets as goodwill of both would be encashed. Identify the type of merger described above. A.Vertical B.Conglomerate C.Horizontal D.Market Extension
10	It outlines how the franchise name is to be used, as well as the marketing and advertising procedures in place that the franchisee will be required to follow. Identify the ingredient of franchise agreement. A. Contract Explanation B. Operations Manual C.Proprietary Statements D.Ongoing Site Maintenance
11	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 rights. Some tyre stores are good examples of this type of franchise. A. Business format franchise opportunity B. Business franchise opportunity ventures C. Manufacturing franchise opportunity D. Product franchise business opportunity
12	Jagriti Ltd.' is the manufacturer of cars for the last 15 years and was earning good profits. Recently, due to irregular supply of parts by the suppliers the company could not make timely delivery of cars to its customers. The customers cancelled their bookings and there were very few new bookings. As a result, the sale of the cars declined and also the profits. The management of the company analysed the problems and decided to take over those two firms because of whom the problems arose. One of them was supplying engines and the other tyres. The company also launched new discount schemes for its customers. It also decided to employ 200 unemployed young boys and girls to take up the cleaning operations using imported machines inside the factories as well as the surrounding areas.

	Identify the concept of 'Enterprise growth strategy' discussed in the above para
13	As the owner of major shareholder of a private company, it is important to outweigh the benefits and costs of listing in the light of the plans and goals that have been set by the entrepreneur. Discussions with _____, _____ and other _____ will also provide better considerations.
14	Which type of merger takes place between companies operating at different stages of the same production or distribution chain? A. Horizontal B. Vertical C. Conglomerate D. Market-extension
15	What is common among Mcdonald's, Golivada pav, Naturals Ice-creams and Ferns-and-petals? a. All are Multinational corporations working in India. b. All have adopted franchising as their growth strategy. c. All have merged with big companies. d. All of the above.
16	Rohan embarked on an entrepreneurial venture by establishing a gym called 'Fit Zone.' He equipped the facility with a diverse range of machines and enlisted qualified trainers to assist customers in their workouts. Initially, he set a nominal hourly fee to make the gym accessible to individuals from economically disadvantaged backgrounds. The gym quickly gained popularity, prompting Rohan to operate in multiple shifts and hire additional trainers. He also expanded the facility by installing extra machines to accommodate a larger customer base. Within a year, Fit Zone began generating substantial profits. Encouraged by his success, Rohan leased a nearby building and opened a Wellness and Recreation Club' for senior citizens, offering services at affordable rates. Furthermore, Rohan actively encouraged young individuals to participate in the local cleanliness drive initiated by the government. They willingly dedicated one hour each day before the gym and recreation club opened to contribute to the cleanliness of nearby areas. Given these developments, From the above scenario: Identify the type of business expansion undertaken by Rohan. a. Internal expansion b. External expansion c. Merger d. None of these
17	Assertion (A): In franchising, there is usually a much higher likelihood of success when an individual opens a franchise as opposed to a mom-and-pop business. Reason (R): It runs on a proven business formula that is already in place. a. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).

	b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). c. Assertion (A) is true, but Reason (R) is false. d. Assertion (A) is false, but Reason (R) is true.
18	Assertion: The business concern may expand its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity. Reason: Internal expansion may be financed by the issue of more share capital, generating funds from old profits or by issuing long–term securities. A. Assertion and reason is correct and reason is the correct explanation B. Assertion and reason is correct but reason is not the correct explanation C. Assertion is wrong, reason is correct D. Both are wrong.
19	Kavita started a boutique named 'Stylo Queens'. She replaced old sewing machines with the new one's 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. Identify the type of expansion mentioned above.
20	In the year 2012, the social media application "Chowpal" acquired "Socialite" at a purchase value of $1 billion. Both the entities operated in the social media industry and offered similar products as part of their photo sharing services. However, Chowpal intended to further bolster its market position in the social media space, and the acquisition of Socialite exactly fitted in its scheme of the plan. The merger eventually helped Chowpal in increasing its market share, eliminating competition, and gaining access to a wider audience. Identify the type of merger: a. Vertical merger b. Horizontal merger c. Market extension merger d. Product extension merger
21	Assertion (A): A franchise agreement is an official document. Reason (R): Franchising opportunities have often evolved from changes in the environment as well as important social trends. SQP 2023-24 a. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A). b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). c. Assertion (A) is true, but Reason (R) is false. d. Assertion (A) is false, but Reason (R) is true.
22	Which of the following is not part of internal expansion of an enterprise? a. Replacing old machines with the new machines with higher productive capacity

	b. Entering into new fields c. Production of more unites d. Franchising
23	ABC Company, manufacturing shoes, has taken over XYZ Company which also manufactures shoes at a small scale. What do you think will be the reason for this kind of takeover?
24	Both Mergers and Acquisitions are enterprise growth strategies but how they come into existence makes them different from each other. Which of the following statement given below justifies the above statement? a. Merger is always friendly, whereas acquisition is always hostile b. Merger may be forceful, whereas acquisition always friendly c. Merger always based on Synergy, acquisition has not link with synergy d. Merger is consensual, whereas acquisition is forced
25	Unicon Ltd. and Nahata Communications provide cable TV networks in adjacent areas of Delhi. After some time the market was slowly taken over by big cable companies. Both Unicon Ltd. and Nahata Communications understood the competition and decided to come together so as to increase their markets share. This strategy helped them in cost saving through economies of scale as they could cover more areas now. It led to the overall growth of both the companies. Identify the enterprise growth strategy adopted by the two.
	DESCRIPTIVE TYPE QUESTIONS
1.	(I)Give the meaning of a franchise agreement. (II)State the main ingredients of a franchise agreement. (III)Differentiate between internal and external expansion.
2.	Golden Sweets' was a partnership firm, owned by Swati and Sushma. 'Asam Sweets' was another partnership firm owned by Vipan and Pranav. Swati and Sushma were sharing profits in 1:2 ratio and Vipan and Pranav were sharing profits in 2:3 ratio. Both the firms were situated in a famous market of Guwahati and were doing competitive business. Pranav the partner of 'Asam Sweets' observed that many of their customers were from far off areas and if branches of 'Asam Sweets' are opened in other parts of the city; the firm may earn huge profits. Similar was the situation of 'Golden Sweets'. One day in a function at a common friend's house, the partners of both the firms knew that the internal expansion of their respective firms will be costly. Hence, they decided about the merger of the two firms. For this purpose, they decided to meet again to finalize the conditions of merger. Finally, on 1.1.2016 their respective firms were merged and a new firm 'Asam Golden Sweets' was formed with all the four partners Swati, Sushma, Vipan and Pranav.Their new profit-sharing ratio was 1:2:2:3. During the year ended 31.12.2016 the new firm opened four new branches in different parts of the city and earned a profit of 30% on sales. (a)Identify the type of merger adopted by the two firms and also give its meaning. (b)Name and define two other types of mergers.
3.	Jiya, a full-time dietician having a branch in New Delhi has opened another clinic in the same city. She will juggle between two branches on alternate days of the week. Additionally, she has decided to merge her business with a firm manufacturing protein shakes in different flavors. These shakes are effective in weight management for adults. The cans for all the flavors are displayed and sold in both the clinics. Giving reasons, identify the two types of expansion strategies used by Jiya.
4.	Aurora Enterprises Ltd., a diversified Indian conglomerate, has been planning to strengthen its position in the fast-growing digital healthcare sector. Instead of developing its own online

	platform from scratch, Aurora chose to expand through its wholly owned subsidiary, Aurora Wellness Ventures Pvt. Ltd. Through this subsidiary, Aurora purchased a controlling stake in Heal Kart Digital, a well-established e-pharmacy known for its doorstep delivery of medicines and wellness products. Industry analysts observed that this move resembles how a leading Indian corporation in the past acquired an online pharmacy via its subsidiary to quickly gain a foothold in the digital healthcare market. The acquisition instantly gave Aurora access to Heal Kart's technology, logistics network, and existing customer base, while HealKart benefited from Aurora's financial strength, wider reach, and improved supply chain. On the basis of the given text and common understanding answer the following questions: (I) Identify the expansion strategy used by Aurora. (II) State any four reasons behind the expansion strategy adopted by Aurora Enterprises Ltd.
5.	Hotel Saravana Bhavan is the largest vegetarian restaurant chain in the world, founded in 1981 by Rajagopal, offers south Indian cuisine. They have more than 20 outlets in Chennai, 33 in India and 47 around the world (including USA, Canada, United Kingdom, France, Germany, Singapore, Malaysia, and the Middle East). There are plans to open 5-star Vegetarian-Hotels. They have adopted the policy of appointing a businessman who got exclusive rights of local distribution and provide their restaurant service in conformance to standardized operating procedures. For this purpose, Hotel Saravana Bhavan entered into an agreement with the local business man and in return earn royalty as well as expand their business. a.Identify the type of expansion adopted by Hotel Saravana Bhavan. b.Identify the role of Hotel Saravana Bhavan in above given case study. c. Discuss the are the advantages enjoyed by Hotel Saravana Bhavan?
6.	Refer to the Image given below :  (a)Identify the type of enterprise growth strategy adopted in the two scenarios indicated in the aforesaid image. (b)List the two forms of the growth strategy indicated.
7.	Raman started a gym named as 'Strong Body'. He installed large number of machines and equipment's of different types and appointed qualified trainers to help the customers in the use of machines. Initially he kept a low fee per hour so that boys and girls belonging to the poor families may also avail the facilities of the gym. Very soon his gym became popular and he started operating in three shifts. For this is appointed additional trainers. He also

	installed extra machines so that more customers could be enrolled. In one year, he started earning good profit. He took a nearby building on rent and started a 'Recreation and Health Club' for the senior citizens of the locality on very nominal charges. He also encouraged young boys and girls to participate in the cleanliness drive started by Prime Minister. They agreed and started giving one hour daily for cleanliness of the nearby areas before opening of the 'strong body' gym and 'recreation club'. Identify and explain the type of business expansion that took place under the entrepreneurship of Raman.
8.	Source Based Question: "Fone India Ltd. is the second largest mobile network operator in India by subscriber base, after Virel. Huber Evel Ltd (HEL) was another leading mobile operator in India. In the year 2007, Fone India Ltd., acquired a 52 % stake in HEL. Fone India's main motive in going in for the deal was its strategy of expanding into emerging and high growth markets which will lead to improved profitability in the business." a.Quoting the lines from the passage identify and explain reasons for taking up a stake by Fone India Ltd. b. Also explain any three reasons apart from the one identified in part (a).
9.	Elaborate the advantages of a franchise form of business to a franchisee.
10.	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 Ranchi. 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 Rs. 10 lakh crores. The employees of the two entities have different corporate cultures and styles of leadership but the new management took steps to slowly reduce the culture gap and adapt to the new merged working environment. The M&A route is adopted as one can enter the market with greater case and avoid too much competition and increase sales and profits. It leads to the overall growth of the firm. (a)Identify the growth strategy adopted by Beta Ltd. (b)Discuss the different types of growth strategy as identified in (a).