

CBSE EXAMINATION PAPER-2024

ENTREPRENEURSHIP (066)

Class- XII

SOLVED

Time : 3 Hours

Max. Marks : 70

General Instructions :

- (i) This question paper contains 34 questions. All questions are compulsory.
- (ii) The question paper is divided into four sections- Section A, B and C and D.
- (iii) In Section A : Questions number 1 to 18 are Multiple Choice Questions carrying 1 mark each.
- (iv) In Section B : Questions number 19 to 24 are Short Answer type-I questions carrying 2 mark each.
- (v) In Section C : Questions number 25 to 29 are Short Answer type-II questions carrying 3 mark each.
- (vi) In Section D : Questions number 30 to 34 are Long Answer type questions carrying 5 mark each.
- (vii) There is no overall choice. However, an internal choice has been provided in Section B, C and D of question paper. A candidate has to attempt only one of the alternatives in such questions.

SECTION - A

1. During the rainy season, Subir observed that a large quantity of natural and free water was being wasted. Being a mechanical engineer, Subir started to work on a device that was to be installed in underground water tanks, for collecting the rain water, freezing it and creating a surplus water resource. He prepared a prototype and started the trials on this device. He was happy that he succeeded in converting his idea into reality.
Identify the idea field that provided him an insight for developing the product:
(a) Market-driven idea
(b) Natural resource
(c) Service-related idea
(d) Creative efforts 1
2. Which of the following is not a component of 'Brand'?
(a) Brand name (b) Brand mark
(c) Trade mark (d) Tag line 1
3. 'Anarya Ltd.', a company manufacturing cars wants to enter into e-car business in the next few months. For this it needs additional funds. To speed up financing it decides to sell some of its shares to institutional investors. The company also does not wish to disclose this information in the open market. From the following, identify the method of flotation of new issues used by the company.
(a) Public issue (b) Rights issue
(c) Private placement (d) Offer to employees 1
4. 'Nipro Electronics' was the leading player in the electronics industry for the last fifteen years. A few years back, 'Mobe Electronics', a smaller company as compared to 'Nipro Electronics' entered the market. 'Nipro Electronics' started losing its market share to 'Mobe Electronics' day-by-day due to its innovative products.

To maintain or develop a competitive edge and to upgrade its technology, 'Nipro Electronics' decided to acquire 'Mobe Electronics' under friendly terms but that failed. Now it decided to buy majority shares of 'Mobe Electronics' and hence initiated the acquisition.

From the following, identify the type of acquisition which 'Nipro Electronics' adopted after failing on friendly terms:

- (a) Friendly acquisition (b) Hostile acquisition
(c) Reverse acquisition (d) Back-flip acquisition 1

5. Selection of a product or service will depend upon many factors while assessing the market. The demand assessment is one of them. This assessment is based on :

- (a) Technological advancements in the field
(b) Size of the market being targeted
(c) Transportation delays, wastage etc.
(d) Level of operation

6. **Assertion (A):** Mergers and Acquisitions is a potential strategy for ensuring the accelerated growth of business.

Reason (R): Growing through Mergers and Acquisitions usually turns out to be less expensive as compared with internal expansion, particularly when the replacement cost of asset is higher than the market value of the targeted assets.

Choose the correct option from the following :

- (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is correct, but Reason (R) is incorrect
(d) Assertion (A) is incorrect, but Reason (R) is correct. 1

7. Raghuram has been appointed as the stock incharge in a ready-made shirt manufacturing company. The Production Manager asks Raghuram to ensure the availability of fabric without any interruption so that there is no stock-out situation. For this Raghuram wants to know the re-order point of fabric for the company, that is to determine when to place an order. For this he found out the procurement lead time, which is 2 months, and the demand during this period, which is expected to be 300 bales of cotton fabric per month. So the order should be placed when the stock reaches:
- (a) 600 bales (b) 450 bales
(c) 300 bales (d) 150 bales **1**
8. **Assertion (A):** Sales promotion relates to short-term incentives or activities that encourage the purchase or sale of products or services.
Reason (R): Sales promotion helps to create awareness about the companies' products.
Choose the correct option from the following :
- (a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(b) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A).
(c) Assertion (A) is correct, but Reason (R) is incorrect.
(d) Assertion (A) is incorrect, but Reason (R) is correct. **1**
9. Choose the correct formula for the following for calculating 'Gross Working Capital':
- (a) Gross Working Capital = Cash + Accounts Receivable + Fixed Assets + Other Current Assets
(b) Gross Working Capital = Cash + Accounts Payable + Inventory + Other Current Assets
(c) Gross Working Capital = Cash + Accounts Receivable + Inventory + Other Current Assets
(d) Gross Working Capital = Cash + Accounts Receivable + Inventory + Long Term Liabilities **1**
10. Financial plan is a projection of key financial data about :
- I. Economic feasibility of the enterprise
II. Orderly movement of goods.
III. Market opportunities and threats
IV. The potential investment commitment needed for the new venture.
Choose the correct option from the following :
- (a) I only (b) I and IV
(c) I, II and IV (d) II, III and IV **1**
11. **Assertion (A):** Public issue is the most popular method of raising capital these days by the entrepreneurs.
Reason (R): The capital does not have to be repaid and does not involve an interest charge.
Choose the correct option from the following :
- (a) Assertion (A) is correct, but Reason (R) is incorrect.
(b) Assertion (A) is incorrect, but Reason (R) is correct.
- (c) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).
(d) Both Assertion (A) and Reason (R) are correct, but Reason (R) is not the correct explanation of Assertion (A). **1**
12. Even after providing good food, excellent hospitality and other services, 'The Concept', a five star hotel, is facing problem of low demand for its rooms. To increase demand of the rooms in the hotel the Chief Executive Officer of the hotel called the Marketing Manager for advice. The Marketing Manager suggested that with a booking for three days and two nights package the hotel should announce an offer to provide free dinner along with complimentary breakfast for one day, as well as a free stay for one day at a good resort for its clients within a month.
The promotion strategy or approach suggested by the marketing manager is :
- (a) Above the line (b) Below the line
(c) Through the line (d) None of the above **1**
13. 'Vision Ltd.' offers stock options to its employees. This enables employees to become shareholders of the company leading to higher efficiency and lower labour turnover.
The method of flotation of new issues being used by 'Vision Ltd.' is:
- (a) Public issue (b) Rights issue
(c) Private placement (d) Offer to employees **1**
14. Aditi successfully completed her studies at a famous institute of fashion designing. She is now eager to establish a manufacturing unit specialising in designer clothes for the youth in India. To achieve this, she started going to locations frequently visited by her target customers. Additionally, she has begun exploring local markets and actively participating in fashion shows. These efforts aimed at gaining a deeper understanding of the market and ensuring that the manufactured designer clothes are in sync with the prevailing fashion trends.
Identify the way in which Aditi is spotting trends:
- (a) Read trends (b) Talk trends
(c) Watch trends (d) Think trends **1**
15. Samarya owned an airline business with a fleet of 20 aircraft operating between Nairo and Piere. She wanted to expand the business to other parts of the country. She was concerned about the rising out prices which would impact the costs as well as the sensitivity of the airline revenues to fluctuations in business traffic.
Identify the factor affecting the macro environment under PESTEL model:
- (a) Political (b) Economic
(c) Social (d) Technological **1**
16. Sarita got admission in Nadir Engineering College. After two to three months, she observed that the students of the college were facing problems in washing and ironing of clothes due to shortage of time. Sarita sensed the opportunity, analysed it and synthesised it to identify an opening. She suggested to her cousin, Hitesh to start a laundry service for

hostel students. Soon, this service became popular, not only among the hostel students, but also among the nearby residents.

'Ability to perceive and preserve basic ideas which could be used commercially' was the factor involved in sensing this opportunity. The source which led to the emergence of this basic idea was :

- (a) Problem (b) Invention
(c) Innovation (d) Competition 1

17. 'Air-Puro Ltd.' is engaged in manufacturing and distribution of air-purifiers. The company has four departments - Production, Marketing, Finance, and Human Resource. The quality of the air-purifiers is very good and these are handy also. Due to this the demand of air-purifiers started growing. To meet the growing demand, the Production Head informed the Chief Executive Officer to recruit more employees.

The component of Business Plan which will help in deciding the number of people required is :

- (a) Marketing Plan (b) Production Plan
(c) Organisational Plan (d) Manpower Plan 1

18. Manoj, Ankit and Nikhil are good friends and doing interior designing business at a small-scale. Their business is taking off in a big way. Now there is a need to change their small-scale-business into a large-scale-business. The trio needs more capital to invest, to hire more employees and for other expenses. Due to the growing need they decided to re-organise their form of business. Now they wanted to have an organisation in which members have a limited liability and minimum paid-up capital in Rupees one lakh.

The type of organisation the trio wanted to form is :

- (a) Partnership (b) Public company
(c) Private company (d) Sole proprietorship 1

SECTION - B

19. (a) State the elements in the innovation process.

OR

(b) Give the meaning of 'Problem Identification'. With the help of any two points, state how problem identification helps the entrepreneur. 2

20. Ariha loves eating good food and for that she generally visits famous restaurants. She is very fond of Kheer and after eating food she requests for Kheer as a desert. Quite frequently she discovered that Kheer was not available in many restaurants. So she decided to make instant Kheer-mix in various flavours like Mango, Kesar-Elaichi, Malai-Rabri, etc. and started selling these in the neighbourhood. The Kheer-mixes became popular in the neighbourhood, as they were easy to make and had a good taste. Now one of her friends suggested that she should consider selling the Kheer-mixes to the retailers and also to the restaurants directly. To achieve this she had to keep a distinctive name to distinguish her Kheer - mixes from that of the competitors, if any.

- (a) Identify and explain the component of product mix discussed in the above case.
(b) Also identify and explain the term through which the name given by her to the product can get legal protection. 2

21. Recognising the opportunity in the women's hair care, Prabhav conceived an idea to manufacture a multi-functional three-in-one machine for hair i.e., hair dryer cum curler cum hair iron. He felt that it would be comfortable to carry one machine instead of three. On the basis of this idea, interest and curiosity, the need was adjudged and he started looking for an answer to implement the idea. He then conducted a market research to foresee the future of this multifunctional three-in-one machine, hair dryer cum hair curler cum hair iron. The idea was considered very strong and he decided to go ahead.

Identify and state the steps in the creative process which were fulfilled by Prabhav. Also state the two steps to be followed by Prabhav in the creative process.

22. (a) Explain the advantages a franchisor gains through franchising which are related to 'expansion risk' and 'cost advantages' that result from extensive buying power. 2

OR

(b) Explain 'Number of buyers' and 'Types of buyers' as considerations related to market while selecting a channel of distribution.

23. (a) What is a 'Business Plan'? State any two points why 'Business Plans' are considered as decision-making tools. 2

OR

(b) Explain 'Ability to harness different sources of information' and 'Vision and Creativity' factors involved in sensing opportunities.

24. A Beauty parlour had varying number of customers during five weeks. From the given information, calculate 'Unit Price' per customer. 2

Weeks	Number of Customers	Average Amount billed per customer (in ₹)
1	20	200
2	34	170
3	26	142
4	44	462
5	36	350

SECTION - C

25. 'Airoon Ltd.' manufactures and sells desert coolers with various unique features. There is no competitor of 'Airoon Ltd.' in the market. So they decided to sell these at a high price. In spite of having unique features its sale was not picking up. They tried to find out the reason for this. After market research they found that to raise their market-share, they have to revise their pricing method. The company

decides to adopt a pricing method based on manufacturing estimates which should convert the cost of producing the coolers plus a reasonable profit.

- (a) Identify the pricing method 'Airoon Ltd.' decides to adopt.
- (b) State one advantage and one disadvantage of this pricing method. **3**
26. (a) Explain the following elements of an operational plan:
- Scheduling
 - Follow-up
 - Inspection

OR

- (b) One of the important methods for generating ideas is to carry out a 'Market Research'.
- What is meant by 'Market Research'?
 - Explain how market research helps an entrepreneur for generating 'Market-driven or Demand-driven ideas' as a source of idea field. **3**
27. 'GRX Ltd.' has marked its presence for its 'Apple Cider Vinegar' on different social media platforms like Facebook, Instagram, etc. by demonstrating features and benefits not available with the competitors' products without mentioning their names.
- Identify the type of sales strategy adopted by 'GRX Ltd.'
 - Name and state the other type of sales strategy available with the businesses.
 - List any two points of consideration required for creating an effective sales strategy. **3**

28. 'Mitsu Electronics Ltd.' was operating its business of electronic items in India. The Prime Minister announced relaxation in export duties on electronic items and the company started exporting its products to neighbouring countries. The company developed a better and cheaper video conferencing system to solve the problem, if any, and to replenish the stocks wherever and whenever needed. The demand for its electronic items started increasing day-by-day as there is an increase in the level of education and consumerism globally.

Quoting the lines from the above para, identify and explain any three dimensions of Business Environment. **3**

29. (a) Explain the following three stages in a company's development when an entrepreneur can seek venture capital:
- Seed capital finance
 - Start-up finance
 - Second round-financing

OR

- (b) Who are called 'Angel Investors' ? Explain any five features of Angel Investors. **3**

SECTION - D

30. (a) What is meant by 'advertising' ? State any four rules to be considered while planning any advertising activity and any four responses for developing effective advertising.

OR

- (b) Give the meaning of 'Franchise Agreement'. Explain the four main ingredients of a 'Franchise Agreement'. **5**
31. What is meant by 'Primary Market'? Explain the four methods used by an entrepreneur to raise the required capital in the Primary Market. **5**

32. (a) Give the meaning of 'Company' form of business organisation.

Explain the following features of a company:

- Separate Legal Entity
- Limited Liability
- Transferability of Shares
- Diffusion of Ownership and Management

OR

- (b) 'Sensitivity to environmental factors is crucial for an entrepreneur.' In the light of this statement, explain any five benefits of understanding the relevant environment of business. **5**
33. 'Happy Hands Ltd.' manufactures liquid hand wash for children with minimal chemicals. They have three varieties of liquid soap. The fixed cost for the production process is ₹ 2,49,000.

Variety	Scrub Hand Wash	Gel Hand Wash	Foam Hand Wash
Selling Price per 100 ml in (₹)	155	175	195
Variable Cost per 10 ml in (₹)	75	95	105
Sales Mix	40%	30%	30%

From the above data, calculate the following:

- Total weighted average contribution margin.
 - Break-even quantity for each variety of liquid hand wash.
 - Break-even point in rupees for Scrub Hand Wash. **5**
34. Aneesh, a young entrepreneur, wishes to take his family business of designer fabrics to greater heights with the knowledge he has acquired at 'National Institute of Fabric Development'. His father gave him ₹ 25 lakh as a seed capital to start his own new product, line under the family business. Aneesh is venturing into leather and faux leather for which he needs to plan his business before he goes ahead with the execution. He knows that transformation of raw material into finished products takes place with the help of energy, capital, manpower, and machinery. Further, he realised that manufacturing operations are highly complex and tedious, hence need to be well planned.
- Identify the component of business plan Aneesh is discussing about. Also state its objective.
 - Explain the three different options available before the venture. **5**

ANSWERS

SECTION - A

1. Option (b) is correct.

Explanation: Subir's observation of the wastage of rainwater during the rainy season prompted him to develop a solution that could utilise this abundant natural resource. Therefore, his idea was driven by the recognition of the potential of rainwater as a valuable natural resource, leading to the development of a device for collecting and utilising it efficiently.

2. Option (d) is correct.

Explanation: A tag line is a short, memorable phrase or slogan that encapsulates the brand's essence or message.

3. Option (c) is correct.

Explanation: Private placement involves selling shares directly to institutional investors or a select group of investors without making the offering available to the general public. This method allows the company to raise capital without the need for public disclosure or offering the shares on the open market.

4. Option (a) is correct.

Explanation: In a friendly acquisition, the target company (Mobe Electronics, in this case) is agreeable to the acquisition, and both parties negotiate the terms and conditions of the acquisition in a cooperative manner. This stands in contrast to a hostile acquisition, where the target company is not willing to be acquired, and the acquiring company may proceed with the acquisition despite the opposition.

5. Option (b) is correct.

Explanation: Assessing the size of the market being targeted involves understanding the potential customer base, demographics, purchasing power, and overall market demand for the product or service. This information helps businesses determine the level of demand for their offering and make informed decisions about entering or expanding within a particular market.

6. Option (c) is correct.

Explanation:

Mergers and Acquisitions (M&A) is a potential strategy for ensuring the accelerated growth of a business. There are various reasons that firms may choose to grow through M&A instead of expanding internally. The growth process is accelerated by acquiring a target in a line of business in which the bidding company wants to enlarge when compared with internal expansion, because the company already exists in place, with its own production capacity, distribution network and clientele. This saves a lot of time and investment for the growing company. Above all, growing through M&A may usually turn out to be less expensive compared with internal expansion, particularly when the replacement cost of assets is higher than the market value of target assets.

7. Option (a) is correct.

Explanation:

$$\begin{aligned} \text{Reorder point} &= \text{Usage rate} \times \text{Lead time} \\ &= 300 \text{ bales} \times 2 = 600 \text{ bales} \end{aligned}$$

8. Option (c) is correct.

Explanation: Sales promotion relates to short-term incentive or activities to encourage the purchase or sale of a product or service. Companies appoint salesperson to contact prospective buyers and create

awareness about the company's product that is known as personal selling.

9. Option (c) is correct.

Explanation: Gross Working Capital includes all current assets of a company, which are assets that can be converted into cash within a year. These assets typically include cash, accounts receivable, inventory, and other short-term assets.

10. Option (b) is correct.

Explanation: The financial plan assesses the economic viability of the business venture, including factors such as revenue forecasts, expenses, profitability, and cash flow projections. The financial plan includes estimates of the capital investment required to start and operate the new venture, including startup costs, fixed assets, working capital requirements, etc.

11. Option (d) is correct.

Explanation: The primary advantage an entrepreneur stands to gain by going public is access to capital. In addition, the capital does not have to be repaid and does not involve an interest charge. The only reward the IPO investors seek is an appreciation of their investment and possibly dividends.

12. Option (b) is correct..

Explanation: Below the line (BTL) promotion refers to promotional activities that are targeted directly at consumers and are often more personalized or targeted.

13. Option (d) is correct.

Explanation: Stock options or offering shares to the employees has gained much popularity in many countries of the world. This method enables employees to become shareholders and share the profits of the company leading to:

- (a) Higher efficiency
- (b) Low labour turnover
- (c) Better industrial locations
- (d) Low flotation cost
- (e) Wider/higher generation of funds

14. Option (c) is correct.

Explanation: Aditi is actively observing and monitoring the prevailing fashion trends by visiting locations frequented by her target customers, exploring local markets, and participating in fashion shows.

By engaging in these activities, she is observing what people are wearing, what styles are popular, and what trends are emerging in the fashion industry.

15. Option (b) is correct.

Explanation: Economic factors refer to the broader economic conditions that can impact a business's operations, such as inflation, economic growth, interest rates, exchange rates, and commodity prices.

16. Option (a) is correct.

Explanation: Sarita identified a problem faced by the students of Nadir Engineering College, namely, the shortage of time for washing and ironing clothes. She perceived this problem as an opportunity and synthesized it to identify an opening for a laundry service for hostel students.

17. Option (d) is correct.

Explanation: The Manpower Plan is a crucial component of the Business Plan that focuses on determining the number of employees needed to meet the operational requirements of the business.

The Manpower Plan will analyse the current workforce, forecast future demand, assess skill gaps, and determine the number and type of employees required to meet the production targets effectively.

18. Option (c) is correct.

Explanation: A private company:

- (1) has a minimum of two and a maximum of fifty members excluding its past and present employees.
- (2) restricts the right of its members to transfer shares.
- (3) prohibits an invitation to the public to subscribe for any shares or debentures of the company, or accept any deposits from persons other than its directors, members or relatives.
- (4) has a minimum paid up capital of one lakh rupees (subject to change)
- (5) uses the word 'Pvt. Ltd.' at the end of its name.

SECTION - B

19. (a) Elements of Innovation Process:

1. **Analytical planning:** Carefully identifying the product or service features, design as well as the resources that will be needed.
2. **Resource organization:** Obtaining the required resources, materials, technology, human or capital resources.
3. **Implementation:** Applying the resources in order to accomplish the plans and delivering results.
4. **Commercial application:** The provision of value to customers, reward employees, and satisfy the stake holders. (Any two)

OR

- (b) Problem identification refers to the process of recognising and defining a specific issue or challenge that needs to be addressed. It's a crucial step in problem-solving and innovation as it lays the foundation for finding solutions and making improvements. It helps the entrepreneur to:

1. Bring out new products in the market
2. Understand the problems and needs of the market
3. Be creative
4. Increase employment generation
5. Increase national income (of the country) (Any two)

20. (a) **Branding:** 'Branding' is a process, a tool, a strategy, an orientation whereby a name, a sign, or a symbol etc. is given to a product by the entrepreneur so as to differentiate his/her product from the rival products. Once a brand name is established in the market, then it becomes difficult to compete with it.

- (b) **Trade mark:** A brand or part of a brand that is given legal protection against its use by other firms is called a trade mark. Thus, a trade mark is essentially a legal term, protecting the seller's exclusive right to use the brand name/mark.

21. Steps fulfilled by Prabhav:

1. **Idea germination:** This is the seeding stage of a new idea. It is the stage where the entrepreneur recognises that an opportunity exists. The idea germination takes place according to interest, and curiosity of the entrepreneur according to which opportunity is explored and exploited to its best potential. Creative idea germinates besides the interest, the need of a specific problem or area of study.

2. **Preparation:** On the basis of the idea, interest and curiosity the need is adjudged by the entrepreneur and he starts looking for the answer to implement the idea. If the idea is to launch a new product or service then market research is conducted. That happens because the seed of curiosity has taken form of an idea, the entrepreneurs foresee the future of the product.

Steps to be followed:

1. **Incubation:** This is the subconscious assimilation of information. This is the transition period. The entrepreneur starts thinking about the idea and implementation in his subconscious mind.
2. **Illumination:** In this period of illumination the idea re-surfaces realistically and the entrepreneur comes out with a viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea.

22. (a) **Expansion Risk Mitigation:** Franchising allows a franchisor to expand its brand and business without bearing the full financial burden of opening new locations. Franchisees typically invest their own capital to open and operate individual units, thereby reducing the financial risk for the franchisor.

By leveraging the knowledge and expertise of franchisees, the franchisor can mitigate the risks associated with entering new markets where they may lack local insights. (Any one)

- (b) **Cost Advantage:** Franchisors can negotiate favourable terms with suppliers and vendors by leveraging the collective buying power of multiple franchise units. Centralising purchasing and supply chain management allows franchisors to streamline operations, optimise inventory levels, and reduce overhead costs. By coordinating procurement activities across multiple franchise units, franchisors can achieve cost savings through efficient inventory management and distribution.

OR

- (b) When selecting a channel of distribution, considering the number and types of buyers in the market is crucial for effectively reaching and serving customers. Here's how these considerations play a role:

1. **Number of Buyers:** If the number of buyers is large then it is better to take the services of middlemen for the distribution of the goods. On the contrary, the distribution should be done by the manufacturer directly if the number of buyers is less.
2. **Types of buyers:** Buyers can be of two types: General Buyers and Industrial Buyers. If the more buyers of the product belong to general category then there can be more middlemen. But in case of industrial buyers there can be fewer middlemen.

23. (a) A business plan is a written document that outlines the goals, objectives, strategies, and action plans for a business venture. It serves as a road map for entrepreneurs, guiding them through the various stages of starting, managing, and growing a business. Two reasons why business plans are considered decision-making tools are:

1. Describing all necessary inputs for the enterprise
2. Explaining the mode of utilization of the resources
3. Detailing the strategies for the execution of the project
4. Outlining the desired goals
5. Assessing market sensitivity and the profitability of the venture (Any two)

OR

- (b) **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.

Vision and creativity: Creativity in innovating a solution and vision. The entrepreneur should be able to creatively identify an idea to generate a

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.
- 24.

Weeks	Number of Customers	Average Amount billed per customer (in ₹)	Average Amount billed per customer (in ₹)
1	20	200	4,000
2	34	170	5,780
3	26	142	5,112
4	44	462	20,328
5	36	350	12,600
	170		47,820

Unit price per customer

$$= \frac{\text{Total billed amount}}{\text{Total number of customers}} = \frac{47,820}{170} = ₹ 281.29$$

25. (a) The pricing method that Aircon Ltd. decides to adopt is Cost-Plus Pricing.

(b) **Advantage:**

Simple and straightforward: Cost-Plus Pricing is easy to calculate and understand. It involves adding a markup percentage to the cost of production, making it simple for companies to determine their selling price.

Disadvantage:

May not reflect market demand: Cost-Plus Pricing does not take into account factors such as customer preferences, competitor pricing, or market demand. As a result, the selling price may not be competitive or aligned with what customers are willing to pay, potentially leading to lost sales opportunities.

SECTION - C

26. (a) (i) **Scheduling:** Scheduling refers to the process of allocating resources, time, and activities in a systematic manner to achieve specific tasks or objectives within a given time frame. It involves creating time lines, setting deadlines, and coordinating activities to ensure smooth workflow and timely completion of tasks. It ensures that activities are organised in a logical sequence and that sufficient time is allocated for each task to be completed efficiently.

(ii) **Follow-up:** Follow-up involves monitoring, tracking, and evaluating the progress of activities and initiatives outlined in the operational plan. It entails regularly reviewing performance metrics, milestones, and key performance indicators (KPIs) to ensure that objectives are being met and that operations are on track. Follow-up helps in identifying any deviations from the plan, addressing issues or obstacles that may arise, and making necessary adjustments to ensure alignment with organisational goals.

(iii) **Inspection:** Inspection entails examining various aspects of operations, including production processes, equipment, materials, and outputs, to identify any defects, deficiencies, or non-conformities that may impact performance or quality. Inspection helps in detecting potential risks, hazards, or vulnerabilities

and implementing preventive measures to mitigate them. It also facilitates continuous monitoring and improvement of operations by identifying areas for optimization, streamlining processes, and enhancing efficiency.

OR

(b) (i) Market research is the process of gathering, analysing, and interpreting information about a market, including its size, trends, demographics, competition, and consumer preferences. It involves systematically collecting data from various sources, such as surveys, interviews, focus groups, observation, and secondary research, to gain insights into market dynamics and consumer behaviour. The primary objective of market research is to inform business decisions, such as product development, marketing strategies, pricing, and distribution, by providing actionable insights into market opportunities, challenges, and trends.

(ii) Market research plays a crucial role in helping entrepreneurs generate market-driven or demand-driven ideas by providing valuable insights into customer needs, preferences, and behaviours. Here's how market research facilitates idea generation:

1. **Identifying Unmet Needs:** Through market research, entrepreneurs can identify gaps or unmet needs in the market that present opportunities for innovation. By understanding customer pain points, challenges, and aspirations, entrepreneurs can develop products or services that address specific market demands and fulfil unmet needs. Market research helps entrepreneurs uncover opportunities for differentiation and competitive advantage by offering solutions that resonate with target customers.

2. **Understanding Market Trends:** Market research enables entrepreneurs to stay abreast of market trends, shifts, and developments that may impact consumer behaviour and preferences. By analysing market data and trends, entrepreneurs can anticipate changes in demand, emerging opportunities, and evolving consumer tastes. This allows entrepreneurs to pro actively adapt their product offerings, marketing strategies, and business models to capitalise on market trends and maintain relevance in a dynamic marketplace.

3. **Assessing Competitive Landscape:** Market research helps entrepreneurs assess the competitive landscape by analysing competitors' strengths, weaknesses, strategies, and offerings. By conducting competitive analysis, entrepreneurs can identify areas of differentiation, competitive advantages, and opportunities for innovation. Understanding competitors' positioning, pricing, and marketing tactics allows entrepreneurs to identify gaps in the market and develop unique value propositions that resonate with target customers.

4. **Validating Business Ideas:** Market research serves as a validation tool for business ideas by gauging customer interest, demand, and willingness to pay. Through surveys, focus groups, or interviews, entrepreneurs can gather feedback from potential customers to assess the viability and market potential of their business ideas. Market research helps entrepreneurs refine their concepts, validate assumptions, and mitigate risks by ensuring alignment with market needs and preferences before investing resources in product development or launch. **(any two)**

27. (a) The type of sales strategy adopted by GRX Ltd. is Indirect Sales Strategy, also known as an Implicit Sales Strategy. In this approach, the company promotes its

products or services without directly mentioning or comparing them to competitors. Instead, it focuses on highlighting the unique features, benefits, and value propositions of its offerings to attract customers.

- (b) The other type of sales strategy available to businesses is Direct Sales Strategy, also known as an Explicit Sales Strategy. In this approach, the company directly promotes its products or services by explicitly mentioning and comparing them to competitors. This strategy often involves aggressive marketing tactics, competitive pricing, and direct sales pitches to persuade customers to choose the company's offerings over alternatives.
- (c) **Consideration required for creating an effective sales strategy include:**
- Market knowledge
 - Awareness of competitors' activities
 - Awareness of current trends
 - Detailed business analysis **(Any two)**

28. Quoting from the provided paragraph, we can identify three dimensions of the business environment:

- Economic Environment:** "The prime minister announced a relaxation in export duties on electronic items"

This dimension refers to the economic factors that influence businesses, such as inflation rates, economic growth, unemployment rates, taxation policies, exchange rates, and market demand. Businesses must adapt their strategies to the prevailing economic conditions to remain competitive and sustainable.

- Technological Environment:** "the company developed a better and cheaper video conferencing system"

This dimension involves technological advancements and innovations that impact businesses. It includes developments in information technology, automation, artificial intelligence, digitalization, and communication infrastructure. Businesses need to embrace technological changes to improve efficiency, streamline processes, and stay ahead in the market.

- Social-Cultural Environment:** "the demand for its electronic items started increasing day-by-day as there is an increase in the level of education and consumerism globally"

The social dimension encompasses societal factors that influence businesses, such as cultural norms, demographics, consumer behaviour, lifestyle trends, and social values. Businesses must consider social dynamics to understand their target markets, address social issues, maintain corporate social responsibility, and build positive relationships with stakeholders.

26. (a) (i) **Seed Capital Finance:** Seed capital financing provides the initial funding needed to validate the business concept, conduct market research, develop prototypes, and establish the foundation for the business. Entrepreneurs may seek seed capital from venture capitalists, angel investors, incubators, or accelerators to cover startup costs, build a minimum viable product (MVP), and attract early customers or users.

- (ii) **Start-up Finance:** Start-up finance refers to the stage when the company has progressed beyond the idea stage and is ready to launch its products or services into the market. At this stage, entrepreneurs may require additional capital to scale operations, ramp up production, hire key personnel, and execute their go-to-market strategy. Start-up finance from venture capitalists provides the necessary funding to support initial growth, establish market presence, and acquire early customers.

- (iii) **Second Round Financing:** Second round financing occurs after the startup has demonstrated market validation, achieved significant milestones, and is poised for further growth and expansion. It provides the capital needed to scale operations, enter new markets, invest in marketing and sales initiatives, and strengthen the management team. Venture capitalists may participate in this stage to support the company's growth trajectory, provide strategic guidance, and help navigate challenges associated with rapid expansion.

OR

- (b) Angel investors are affluent individuals who provide financial backing and mentorship to early-stage startups and entrepreneurs in exchange for equity ownership or convertible debt. They play a crucial role in the entrepreneurial ecosystem by filling the gap between the initial funding stages (such as seed capital) and more formal sources of capital (such as venture capital firms). Here are five features of angel investors:

- 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.
- 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.

SECTION - D

30. (a) Advertising refers to the process of creating and disseminating promotional messages to a target audience with the aim of influencing their attitudes, behaviours, or purchasing decisions. It is a key component of marketing communication strategies and is typically conducted through various media channels such as television, radio, print, digital platforms, and outdoor advertising.

There are four rules to consider when planning any advertising activity – i.e. before we prepare and book any form of advertising.

- Aim:** What is the primary purpose of the advertisement? Is it to inform, sell, produce listings, or improve the image of the business?
- Target:** Who is the target? From which sector of the public are we trying to achieve a response? For example, is it male, female, adult, teenager, child, mother, father, etc?
- Media:** Bearing the aim and target in mind, which of the media available is the most suitable – i.e. TV, radio, press or Internet?
- Competitors:** What are the competitors doing? Which media channel do they use? Are they successful? Can you improve on their approach and beat them in the competition?

Good advertising generally elicits the following four responses:

- Attention:** It catches the eye or ear and stands out amid the clutter of competing advertisements.

2. **Interest:** It arouses interest and delivers sufficient impact in the message or offering.
3. **Desire:** It creates a desire to learn more or crave ownership.
4. **Action:** It spurs an action that leads to the achievement of the ad's original objective – i.e. it prompts potential customers to purchase or use your product or service.

OR

- (b) A franchise agreement is a legal document that binds the franchisor and franchisee together. This document explains what the franchisor expects from the franchisee in running the business. The agreement is designed to assure that all of the franchisees within an organization are treated equitably. The expectations must be uniform throughout the system.

The main ingredients of a franchise agreement:

1. **Contract Explanation:** The contract explanation is the part of the agreement that outlines the type of relationship a franchisee is entering into with the franchisor.
 2. **Operations Manual:** The operations manual is the section of the agreement that details the guidelines that the franchisee must legally follow in operating the business as outlined by the franchisor. From time-to-time amendments may be made and the franchisee must be prepared to adjust operations accordingly. The franchisee needs to be aware that the contents of the document are confidential.
 3. **Proprietary Statements:** Proprietary statements outline 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. Also, the franchisor documents how much the franchisee will be required to contribute toward national advertising efforts.
 4. **Ongoing Site Maintenance:** Ongoing site maintenance is another item that is outlined in the agreement. Included are the types and time frames regarding various maintenance items and upgrades that must be made to the franchisee's location.
31. The primary market, also known as the new issue market, refers to the financial market where newly issued securities, such as stocks, bonds, or other financial instruments, are bought and sold for the first time by issuers directly to investors. In the primary market, companies raise capital by issuing new securities to fund their business operations, expansion plans, or other financial needs.
- Four methods used by an entrepreneur to raise the required capital in the primary market include:
1. **Initial Public Offering (IPO):** An IPO is the process by which a privately held company offers its shares to the public for the first time, thereby transitioning from private ownership to public ownership. Entrepreneurs can raise significant capital by selling shares of their company to investors through the issuance of an IPO. The IPO process involves underwriting by investment banks, regulatory filings with securities regulators, and marketing efforts to attract potential investors.
 2. **Rights Issue:** A rights issue is a method of raising capital whereby existing shareholders are given the right to purchase additional shares of the company at a discounted price. This allows entrepreneurs to raise capital from existing shareholders based on their proportional ownership in the company. Rights issues are often used by companies to fund expansion projects, repay debt, or strengthen their balance sheets without diluting existing shareholders' ownership stakes.
 3. **Private Placement:** Private placement involves the

sale of securities directly to institutional investors, accredited investors, or a select group of high-net-worth individuals, rather than through a public offering. Entrepreneurs can raise capital through private placements by negotiating and selling shares or bonds to investors in a private transaction. Private placements offer flexibility in terms of pricing, timing, and regulatory requirements compared to public offerings, but they may have limited liquidity and disclosure requirements.

4. **Offer to Employees:** Offer to employees involves granting company shares or stock options to employees as part of their compensation package. This method not only serves as a means of raising capital but also incentivizes employees to contribute to the company's success, aligning their interests with those of the shareholders. ESOPs are often used by both public and private companies to attract and retain talent.
32. (a) A company means a voluntary association of a person formed for some common object with capital divisible into units of equal value called 'shares' and with limited liability. Company is a creation of law that is the birth of this artificial human being is by law and it can be put to death by law only.

Features of a company:

- (i) **Separate Legal Entity:** This feature implies that a company is recognized as a distinct legal entity that is separate from its owners (shareholders). As a separate legal entity, a company can enter into contracts, own assets, incur liabilities, sue or be sued in its own name. This concept of separate legal personality provides protection to shareholders by limiting their personal liability for the debts and obligations of the company. It ensures that the company's actions and liabilities are distinct from those of its owners.
- (ii) **Limited Liability:** Limited liability is a feature of the company structure that limits the financial liability of shareholders to the amount they have invested in the company. In other words, shareholders' personal assets are protected from the company's debts and obligations beyond their investment in the company's shares. This principle encourages investment in companies by providing a level of financial security to shareholders. However, it's important to note that limited liability does not absolve directors or officers of a company from liability for their own wrongful actions or negligence.
- (iii) **Transferability of Shares:** Shareholders in a company can freely transfer their shares to other individuals, subject to any restrictions outlined in the company's articles of association or shareholder agreements. This liquidity of ownership interests allows shareholders to easily enter or exit their investments in the company, providing flexibility and marketability of shares.
- (iv) **Diffusion of Ownership and Management:** In a company, ownership and management are typically separate, allowing for the diffusion of ownership and management responsibilities. Shareholders are the owners of the company and elect a board of directors to oversee the management and strategic direction of the company. The board of directors, in turn, appoints officers and managers to handle the day-to-day operations of the company. This separation of ownership and management helps ensure professional management of the company and provides checks and balances to safeguard the interests of shareholders.

OR

- (b) Sensitivity to environmental factors is crucial for an entrepreneur. If a company can adapt to its

environment, it will succeed in the long run. For example, Sony is failing to understand the changing trends in mobile phones and therefore losing its market share. The benefits of understanding the relevant environment of business are:

- (i) **Identification of opportunities to get a 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. For example, Volvo, the Swedish brand, has 74% share in the luxury bus segment as it had entered India earlier.
- (ii) **Formulation of strategies and policies:** It helps in identifying threats and opportunities in the market. These can serve as the basis of the formulation of strategies to counter threats and capitalise on opportunities in the market.
- (iii) **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.
- (iv) **Better performance:** A proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities for improvement in the performance of the firm.
- (v) **Sensitisation of entrepreneurs to cope with rapid changes:** A keen watch on the trends in the environment would help sensitize the entrepreneur to changing technology, competition, government policies, and changing needs of the customers. For example, trends in clothing.
- (vi) **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. For example, call-radio taxis with additional features like GPS systems, online booking, etc. **(Any five)**

33. $\text{Contribution} = \text{Sales Price Per Unit} - \text{Variable Cost Per Unit}$

Variety	Scrub Hand Wash	Gel Hand Wash	Foam Hand Wash
Contribution (in ₹)	80	80	90
Sales Mix	40%	30%	30%
	32	24	27

- (a) $\text{Total Weighted Average Contribution} = 32 + 24 + 27 = 83$
- (b) $\text{BEP} = \frac{\text{Fixed cost}}{\text{Total weighted average contribution}} = \frac{2,49,000}{83} = 3,000 \text{ units}$
- (i) $\text{Scrub Hand Wash} = 40\% \text{ of } 3,000 = 1,200 \text{ units}$
- (ii) $\text{Gel Hand Wash} = 30\% \text{ of } 3,000 = 900 \text{ units}$
- (iii) $\text{Foam Hand Wash} = 30\% \text{ of } 3,000 = 900 \text{ units}$
- (c) $\text{Break-even point in rupees for Scrub Hand Wash} = 1,200 \text{ units} \times ₹ 155 = ₹ 1,86,000$

Being highly complex and tedious, the manufacturing operation needs to be well planned. No doubt it will be nature of venture which will decide the magnitude

of importance and disclosure required under the production plan. Most likely there are three situations before the venture viz.

- (a) **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.
- (b) **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
 - (iv) Any contracts that have been completed etc.
 In such cases, a clear mention of what entrepreneur intends to do himself and what he plans to get it done from outside is required.
- (c) **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,
 - (iv) cost of manufacturing
 - (v) any future capital equipment required etc.

34. (i) **Production Plan**

Objective: 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 and each operation to be done at maximum efficiency.

- (ii) Being highly complex and tedious, the manufacturing operation needs to be well planned. No doubt it will be nature of venture which will decide the magnitude of importance and disclosure required under the production plan. Most likely there are three situations before the venture viz.
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