

ENTREPRENEURSHIP
OUTSIDE DELHI (98) 2017

1.	VipinTaneja has completed his Masters degree in Computer Science from IIT, Delhi. He thought of an attractive economic idea which could be implemented to create a business, earn profits and ensure further growth. The idea was to link the different restaurants with the Indian railway network so that while travelling, the railway passengers can order food as per their liking. List any two elements of the concept discussed above.			1												
Ans.	A business opportunity has five elements which are as follows: i. Assured market scope ii. An attractive and acceptable rate of return on investment iii. Practicability of the idea iv. Competence of the entrepreneur to encash it v. Potential of future growth (Any two)			½ +½												
2.	Air India is planning to expand its flights to Pakistan and Afghanistan over the next five years. Enumerate any two political factors that it should consider as per the ‘PESTEL Model’ for the same.			1												
Ans.	Taxation policy, government stability and foreign trade regulations, Political unrest, terrorism, landing rights in foreign countries. (Any two) <i>(Any other relevant point written by the student should be given weightage)</i>			½ +½												
3.	Distinguish between ‘Partnership’ and ‘Private limited Company’ on the basis of maximum number of members.			1												
Ans.	<table><tr><td>Basis</td><td>Partnership</td><td>Pvt. Ltd. Co.</td></tr><tr><td>Max no. of members</td><td>Banking 10 Others 20</td><td>50 excluding employees</td></tr></table>	Basis	Partnership	Pvt. Ltd. Co.	Max no. of members	Banking 10 Others 20	50 excluding employees	<table><tr><td>Basis</td><td>Partnership</td><td>Pvt. Ltd. Co.</td></tr><tr><td>Max no. of members</td><td>100</td><td>200 excluding employees</td></tr></table>	Basis	Partnership	Pvt. Ltd. Co.	Max no. of members	100	200 excluding employees	or If the student has given according to the Companies Law amendment Act,2013	1
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4.	“It is a process which involves the translation of a useful idea into an application which has commercial value. It takes persistent effort to work out analytically the details of the enterprise or service, to develop marketing strategies, to organise finances and strategize operations”. Identify the process.			1												
Ans.	Innovation			1												
5.	Define business.			1												
Ans.	Business is a continuous human economic activity with an objective to earn profit by producing, buying and selling of goods and services.			1												

6.	Nayan has just passed his Senior Secondary Examination from CBSE affiliated school. He wanted to start his own business but was undecided about the nature of the business to be started. One day, during the morning walk, his grandfather fell down in the park and was injured. He observed that his grandfather often forgot to take his medicines. He thought that the same problem may be faced by other old people. He thought to develop a walking stick for old people that could be fitted with some electric devices connected to the mobile phones of the members of their families which could indicate the location of the old people when they go outside their homes. He also thought to fit a timer in the stick that could remind them about the time of taking their medicines. Identify and state the meaning of the concept described in the above para that helped Nayan in structuring his idea of solving the problem.	2
Ans.	Product identification- an entrepreneurial idea leading to a definite product after opportunity spotting and scanning of the environment is called product identification. (In case a child has identified the same as problem identification with relevant explanation, suitable marks should be awarded).	1+1
7.	State any two types of utilities created by business activities.	2
Ans.	Business activities result in creation of utilities i.e. a) Form utility – Changing the form of raw material into finished product creates form utility. b) Place utility – From the place of production, transporting goods to the place of consumption results in place utility. c) Time utility – The process of storing the goods when not required to supplying them when required generates time utility. (Any two)	1 x 2
8.	Distinguish between internal expansion and external expansion.	2
ANS	<u>Internal expansion</u> results from the gradual increase in the activities of the concern. The net result of internal expansion is the increase in business activities and broadening the present capital structure. The concern may expand its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity. <u>External expansion</u> refers to business combination where two or more concerns combine and expand their business activities. The combination may be among competing units or units engaged in different processes. After combination, the constituted firm pursues some common objectives or goals. In the process of combination, two or more units engage in similar business or related process or stages. (Any two or any other relevant difference given by the student)	1+1
9.	Komal has started a herbal toothpaste manufacturing unit. She has decided about the logo, packaging format and labeling of the product. Her friend Neha asked her whether she has taken care of the legally recognized exclusive rights of other manufacturers in the industry before taking the above stated decisions? Identify and give the meaning of the concept about which Neha asked Komal.	2

Ans.	i. Intellectual Property Rights ii. Intellectual property (IP) rights are the legally recognized exclusive rights to creations of the mind. Under this law, owners are granted certain exclusive rights to a variety of intangible assets.			1+1																				
10.	<p>‘Ayush Generic Medicines,’ a chemist shop sells generic medicines. On 15.02.2016 medicines as per the details given below were sold :</p> <table><tr><td>No. of customers</td><td>Per customer billed amount</td></tr><tr><td>15</td><td>370</td></tr><tr><td>20</td><td>430</td></tr><tr><td>45</td><td>500</td></tr><tr><td>25</td><td>1000</td></tr><tr><td>95</td><td>1200</td></tr></table> <p>Calculate the average amount of medicines sold per customer.</p>			No. of customers	Per customer billed amount	15	370	20	430	45	500	25	1000	95	1200	2								
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11.	<p>‘Janata Foods Ltd.’ is a restaurant situated on a national highway near Hyderabad. The following figures have been extracted from the books of Janata Foods Ltd. : (Rs.)</p> <table><tr><td>Stock of Raw Material</td><td>1,50,000</td></tr><tr><td>Short-Term Loans</td><td>1,83,000</td></tr><tr><td>Trade Creditors</td><td>96,000</td></tr><tr><td>Trade Debtors</td><td>2,25,000</td></tr><tr><td>Dividend Payable</td><td>1,50,000</td></tr><tr><td>Tax Payable</td><td>1,32,000</td></tr><tr><td>Short-Term Investments</td><td>2,28,000</td></tr></table> <p>From the above information, calculate the following :</p> <p>(a) Gross Working Capital</p> <p>(b) Net Working Capital</p>			Stock of Raw Material	1,50,000	Short-Term Loans	1,83,000	Trade Creditors	96,000	Trade Debtors	2,25,000	Dividend Payable	1,50,000	Tax Payable	1,32,000	Short-Term Investments	2,28,000	3						
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13.	<p>Mahesh is a young man of 20 years. He has completed a tailoring course from an industrial training institute. He wants to start a big size tailoring shop in a modern locality where young men and women working in various multinational companies live. He went to one of his friends who had completed a diploma course in textile designing to discuss about the opening of the tailoring shop. His friend advised him to prepare a written document describing formally all the relevant external and internal elements involved in starting a new venture. It will not only help in understanding the feasibility and viability of the proposed venture but also facilitate in assessing and making provisions for the bottlenecks in the progress and implementation of idea. State any six points of importance of the concept discussed by Mahesh with his friend.</p>	3
Ans.	<p>Importance of business plan – a) Helps in determining the viability of the venture. b) Helps in providing guidance. c) Helps in satisfying the concerns, queries, and issues of each group. d) Provides room for self-assessment and self-evaluation. e) Helps to identify the road blocks or obstacles. f) It gives the details of the investment, credit worthiness.</p>	$\frac{1}{2} \times 6$
14.	<p>Two years ago Gopal started manufacturing low fat, sugar – free ice – cream on a small scale basis in his home town, Vishakhapatnam. After some time his ice – cream became popular among health conscious young customers and old persons specially those having diabetes or some heart ailment. Because of the popularity of the ice – cream the demand has increased manyfold. Gopal is unable to meet the same, because of his limited managerial ability and limited capital. Gopal also felt that whenever he fell sick his business was temporarily closed. To overcome this problem he decided to admit in the business his friend Mohan who has recently completed his MBA and is ready to invest money for the expansion of the business. Mohan advised Gopal to get their firm registered.</p> <p>(a) State three limitations indicated in the above para from which Gopal's business suffered.</p> <p>(b) Why did Mohan advise Gopal to get the firm registered?</p>	3
ANS	<p>a. Limitation from which Gopal's business suffered are; i) Limited capital ii) Limited managerial ability iii) Limited continuity b. Consequences for non-registration of a partnership firm 1) A partner cannot file a suit in any court against the firm or other partners for arising from a contract or right conferred by the Partnership Act. 2) A right arising from a contract cannot be enforced in any Court by or on party. 3) Further, the firm or any of its partners cannot claim a set off (i.e. mutual parties to one another) or other proceedings in a dispute with a third party.</p>	$\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$ $\frac{1}{2}$

15.	List any six factors that may affect the selection of a form of business enterprise.	3
Ans.	<p>In making a choice, entrepreneur will want to take into account the following:</p> <ol style="list-style-type: none"> 1) Vision regarding the size and nature of the business. 2) The level of control the entrepreneur wishes to have. 3) The level of "structure" entrepreneur is willing to deal with. 4) The business vulnerability to lawsuits. 5) Tax implications of the different organizational structures. 6) Expected profit (or loss) of the business. 	½ x 6
16.	<p>“Establishment of short or long term objectives and incorporating deadlines in quantifiable measures requires some rules.”</p> <p>After identifying the concept described in the above lines explain its rules.</p>	3
Ans.	<p>Rules for goal setting:</p> <ol style="list-style-type: none"> 1) <u>Business goals need to be relevant.</u> To be relevant, a business goal has to possess a clear advantage or benefit to the specific business. 2) <u>Business goals need to be actionable.</u> Business goals that are too vague or abstract should not be chosen. Goals without action plans are just pretty words. 3) <u>Business goals need to be achievable stretches.</u> The purpose of business goals is to move the businesses forward. So we have to position the bar very carefully, if the bar is set too high, we set ourselves up for failure . 	<p>1</p> <p>1</p> <p>1</p>
17.	<p>Alpha Ltd., a multinational restaurant chain company, gives an exclusive right to four Indian companies to set up the restaurants in metropolitan cities in India in return for their payment of royalties and conformance to standardized operating procedures. Indian companies decided to employ local workers and to distribute left – over food amongst the needy as a provision in the agreement with Alpha Ltd.</p> <ol style="list-style-type: none"> (a) Identify and give the meaning of the concept discussed in the above para. (b) List the main ingredients of the agreement that Alpha Ltd. Will enter into with the Indian companies. (c) Also, identify any one value which the Indian companies want to communicate to the society through the agreement. 	3
Ans.	<p>(a) <i>Franchising</i> is as "an arrangement whereby the manufacturer or sole distributor of a trademarked product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties and conformance to standardized operating procedures".</p> <p>(b) Ingredients of franchise agreement</p> <ol style="list-style-type: none"> i. Contract Explanation ii. Operations Manual iii. Proprietary Statement iv. Ongoing site maintenance <p>(c) Values:</p> <p>Concern for poor (Any other related value)</p>	<p>1</p> <p>1</p> <p>1</p>

18.	Describe briefly the ways in which the entrepreneur spots trends.	4
Ans.	<p>Ways in which an entrepreneur spots trends</p> <p>1. <u>Read trends</u> They regularly read the leading publications and websites affecting their business. This could include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers.</p> <p>2. <u>Talk trends</u> Talking to people is an equally important trend-spotting tactic. They get involved in specific industry's trade association and attending events both online and offline. They also take advantage of social networking tools like social network websites and forums, join groups on the networks and see what people are buzzing about and about the latest trends. They use social media or online surveys to get input on what customers are thinking, buying, craving and doing.</p> <p>3. <u>Watch trends</u> There's no substitute for getting out in the marketplace. They make it a point to regularly go where their target customers hang out. The entrepreneur spends some time simply watching and observing. Trade shows are a great place to get trend ideas, too even if they are not looking to buy product, they attend many shows simply to see what's hot.</p> <p>4. <u>Think trends</u> As an entrepreneur begins gathering all these information regularly, they will start to develop a "trend-spotter mind." As they absorb and mull about what they've read, heard and observed, they'll start to make connections and observations that will lead to business-boosting insights.</p>	1 x 4
19.	Explain any four factors that lead to effective employee relationships.	4
Ans.	<p>Factors which lead to effective employee relationship</p> <p>1. <u>Identifying objectives</u> Employee relationship management include time to hire, turnover and employee satisfaction.</p> <p>2. <u>Determining employee needs</u> Needs vary greatly depending on employee characteristics--age, gender, etc. as well as the type of job being performed. Formal employee evaluation can provide a quantitative indication of employee needs.</p> <p>3. <u>Balancing work and life needs</u> It means taking steps to ensure that the employee's work-life needs are well balanced. This can occur through creative staffing that might involve part-time, flex-time or even off-site work assignments.</p> <p>4. <u>Open and honest communication</u> Managers must be committed to communicating regularly and honestly with employees about the issues that impact their work thus leading to increased loyalty and productivity among employees and decreased turnover and dissatisfaction.</p> <p>5. <u>Measuring and monitoring results</u> Effective employee relationship management requires ongoing attention. That</p>	1 x 4

	<p>means that managers and their HR departments should be alert at all times for signs of discontent, be which can be subjective, as well as carefully monitoring the results of more formal assessments. These results should also shared with employees. Too often employees are asked to complete surveys and are not informed of the results - or what will be done with the results.</p> <p>6. Relationships are interpersonal</p> <p>A clear understanding of employees' needs and a desire to meet those needs is foundational. Then steps must be taken to interact effectively with employees through a variety of communication channels, both interpersonal and formal (Any four)</p>	
20.	<p>Kamal started a gym named as 'Strong Muscles Gym'. He installed large number of machines and equipments of different types and appointed trained trainers to help the customers in the use of machines. Initially he kept a low fee per hour so that the boys and girls belonging to 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, he appointed additional trainers. He also installed extra machines so that more customers could be enrolled. In two years, he started earning good profits. 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 the cleanliness of the nearby areas, before the opening of the 'Strong Muscles Gym' and the Recreation and Health Club'.</p> <p>(a) Identify and explain the type of business expansion that took place under the entrepreneurship of Kamal.</p> <p>(b) Also, identify any two values that Kamal tried to propagate</p>	4
Ans.	<p>(a) Internal Expansion- It results from the gradual increase in the activities of the concern.</p> <p>(b) Values- Protecting the environment; Working for the benefit of the economically weaker section. (Any other suitable value)</p>	<p>(1+1)</p> <p>(1+1)</p>
21.	<p>Geeta has completed her B. Tech. in Chemical Engineering from a famous Indian Institute of Technology. She wants to start a chemical production unit wherein such chemicals will be produced which are used in automobile colouring and are being imported from other countries now a days. The technology to be used by Geeta is new and untried involving high risk factors along with high growth potential. She wants to raise funds for her project from such a source that provides private equity capital as seed funding to early stage, to give shape to her ideas.</p> <p>(a) Suggest Geeta the source of finance from where she can fund her project.</p> <p>(b) Give the meaning of the source suggested in (a) above and state any four features of this source.</p>	4
Ans.	<p>(a) Venture Capitalist</p> <p>(b) Venture capital is a type of private equity capital provided as seed funding to early-stage, high potential, high risk, growth up companies/entrepreneurs who lack the necessary experience and funds to give shape to their ideas.</p>	<p>1</p> <p>1</p>

	<u>Features of venture – capital</u> 1) It is basically equity finance in relatively new companies. 2) It is long-term investment in growth-oriented small or medium firms. 3) Venture capitalist not only provide capital but also business skills to investee firms. 4) It involves high risk-return spectrum. 5) It is a subset of private equity. 6) The venture capital institutions have a continuous involvement in the business after making the investment. 7) Such institutions disinvest the holdings either to the promoters or in the market. (Any four)	1/2 x 4
22.	In order to distinguish their products from that of their competitors, the marketers give some names to their products. After identifying the concept, name and give two examples each of its different types.	6
Ans.	Various types of brands available are: 1) <u>Individual brand name</u> <i>Lifebuoy, Liril, Lux</i> 2) <u>Family brand name</u> <i>PONDS, is a mother brand name used for shampoos, talcum powder, cold creams, soaps etc.</i> <i>MAGGI, is brand name for noodles, sauces, masalas etc.</i> <i>AMUL, has been used to market a large variety of dairy products viz. milk, ghee, butter, chocolates etc.</i> 3) <u>Corporate names</u> <i>For example, Godrej, Tata, Bajaj, etc.</i> 4) <u>Alpha-numeric names</u> <i>For example, SX4, Liv52, ANX Grindlay, i10, i20, etc.</i> (or any other relevant example)	1 1/2 x 4
23.	Kavita has observed that there can be a good market for hand – knitted cotton and woollen trendy garments for small kids up to the age of three years. She thought of starting a small enterprise for the same. She also ensured that the enterprise will require 10 – 15 trained workers and an investment of rupees two lakhs. This will give 40% annual return on investment. (a) Quoting lines from the above para, identify and give the meaning of the entrepreneurship concept being stated in the above para. (b) Also, state the elements of the concept identified in (a) above	6

Ans.	<p>(a) Concept identified -Business plan</p> <p>Meaning- it is a comprehensive project report which not only encompasses the entire range of activities which are being planned in the business.</p> <p>Lines: <i>She thought of starting a small enterprise will require 10 – 15 trained workers and an investment of rupees two lakhs. This will give 40% annual return on investment.</i></p> <p>(b) <u>Elements of Business Plan</u></p> <p>1) Business venture</p> <p>This section of the business plan generally begins with the "mission statement" by the entrepreneur describing the size, scope and nature of the enterprise.</p> <p>2) Organisational plan</p> <p>The organizational plan is that part of the business plan that describes the proposed venture's form of ownership.</p> <p>3) Production plan</p> <p>A production plan helps to plan the work in such a manner that one can clearly form an idea about:</p> <ol style="list-style-type: none"> Production schedule and/or budget Machinery, equipment requirement Manufacturing method and process involved Plant layout <p>4) Operational plan</p> <p>Operational plan is a system whereby there is achieved a smooth and coordinated flow of work within the factory so that, by planning and control of all the productive operations in all the stages of manufacture, the final product is completed in accordance with the plans.</p> <p>5) Human resource plan</p> <p>HR planning is a process by which an entrepreneur ensures that he/she has the right number of people, and the right kind of people with appropriate skills, at the right place and the right time to do work for which they are economically most suitable.</p> <p>6) Marketing plan</p> <p>This valuable document is a guideline regarding the marketing objectives, strategies and activities to be followed by the new enterprise.</p> <p>7) Financial plan</p> <p>Financial plan is a projection of key financial data about:</p> <ol style="list-style-type: none"> The potential investment commitment needed for the new venture, and Economic feasibility of the enterprise <p>(Any four)</p>	<p>1</p> <p>1</p> <p>1 x 4</p>
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24.	<p>“It is an organized mechanism meant for effective and smooth transfer of financial resources from the investors to the entrepreneurs”.</p> <p>(a) Identify the mechanism and list its different types.</p> <p>(b) Name the association of persons established under the mechanism identified in (a) above. Also, explain any four points of its importance to investors.</p>	6
Ans.	<p>(a) Capital market; primary and secondary market</p> <p>(b) Stock exchange</p> <p>Importance:</p> <p>(i) Dissemination of useful information</p> <p>(ii) Ready Market</p> <p>(iii) Investors interests protected</p> <p>(iv) Genuine guidance about the securities listed</p> <p>(v) Barriers of distance removed</p> <p>(vi) Knowledge of profit and loss on investments</p> <p>(Any four points with brief explanation)</p>	$\frac{1}{2}$ + $\frac{1}{2}$ + $\frac{1}{2}$ $\frac{1}{2}$ 4