

Strictly Confidential: (For Internal and Restricted use only)
Senior School Certificate Examination-2020
Marking Scheme – ENTREPRENEURSHIP
(SUBJECT CODE 066) (PAPER CODE – HMJ /4)

General Instructions: -

1. You are aware that evaluation is the most important process in the actual and correct assessment of the candidates. A small mistake in evaluation may lead to serious problems which may affect the future of the candidates, education system and teaching profession. To avoid mistakes, it is requested that before starting evaluation, you must read and understand the spot evaluation guidelines carefully. **Evaluation is a 10-12 days mission for all of us. Hence, it is necessary that you put in your best efforts in this process.**
2. Evaluation is to be done as per instructions provided in the Marking Scheme. It should not be done according to one's own interpretation or any other consideration. Marking Scheme should be strictly adhered to and religiously followed. **However, while evaluating, answers which are based on latest information or knowledge and/or are innovative, they may be assessed for their correctness otherwise and marks be awarded to them.**
3. The Head-Examiner must go through the first five answer books evaluated by each evaluator on the first day, to ensure that evaluation has been carried out as per the instructions given in the Marking Scheme. The remaining answer books meant for evaluation shall be given only after ensuring that there is no significant variation in the marking of individual evaluators.
4. Evaluators will mark(✓) wherever answer is correct. For wrong answer 'X' be marked. Evaluators will not put right kind of mark while evaluating which gives an impression that answer is correct and no marks are awarded. **This is most common mistake which evaluators are committing.**
5. If a question has parts, please award marks on the right-hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left-hand margin and encircled. This may be followed strictly.
6. If a question does not have any parts, marks must be awarded in the left-hand margin and encircled. This may also be followed strictly.
7. If a student has attempted an extra question, answer of the question deserving more marks should be retained and the other answer scored out.
8. No marks to be deducted for the cumulative effect of an error. It should be penalized only once.
9. A full scale of marks **0-70** has to be used. Please do not hesitate to award full marks if the answer deserves it.
10. Every examiner has to necessarily do evaluation work for full working hours i.e. 8 hours every day and evaluate 20 answer books per day in main subjects and 25 answer books per day in other subjects (Details are given in Spot Guidelines).
11. Ensure that you do not make the following common types of errors committed by the Examiner in the past:-
 - Leaving answer or part thereof unassessed in an answer book.
 - Giving more marks for an answer than assigned to it.
 - Wrong totaling of marks awarded on a reply.
 - Wrong transfer of marks from the inside pages of the answer book to the title page.
 - Wrong question wise totaling on the title page.
 - Wrong totaling of marks of the two columns on the title page.

- Wrong grand total.
 - Marks in words and figures not tallying.
 - Wrong transfer of marks from the answer book to online award list.
 - Answers marked as correct, but marks not awarded. (Ensure that the right tick mark is correctly and clearly indicated. It should merely be a line. Same is with the X for incorrect answer.)
 - Half or a part of answer marked correct and the rest as wrong, but no marks awarded.
12. While evaluating the answer books if the answer is found to be totally incorrect, it should be marked as cross (X) and awarded zero (0)Marks.
13. Any unassessed portion, non-carrying over of marks to the title page, or totaling error detected by the candidate shall damage the prestige of all the personnel engaged in the evaluation work as also of the Board. Hence, in order to uphold the prestige of all concerned, it is again reiterated that the instructions be followed meticulously and judiciously.
14. The Examiners should acquaint themselves with the guidelines given in the Guidelines for spot Evaluation before starting the actual evaluation.
15. Every Examiner shall also ensure that all the answers are evaluated, marks carried over to the title page, correctly totaled and written in figures and words.
16. The Board permits candidates to obtain photocopy of the Answer Book on request in an RTI application and also separately as a part of the re-evaluation process on payment of the processing charges.

MARKING SCHEME 98/4 (SERIES HMJ/4)

ENTREPRENEURSHIP (066)

2020

Q.No.	Question with Expected Answers	Marks
SECTION A		
Fill in the blanks:		
Q. 1	Samar is a budding rural entrepreneur who is working on improving the health index of the women in rural areas. Samar needs to understand various health issues confronted by women in order to create a socially committed organization. For this, he wants to gather information about the target market or customers in an organized manner. This organized effort of Samar is known as _____	1
Ans.	Market research	1
Q. 2	“Welsa Moto Corp’s electric vehicles with zero tail pipe emission are emerging as a good alternative to two major problems; (i) climatic change due to auto exhaust and (ii) increasing pollution leading to ill health. This Act of ‘Welsa Moto Corp’s has taken care of _____ and _____ elements of macro environment.	1
Ans.	Social and Ecological	0.5+0.5 =1
Q. 3	Amit, an entrepreneur, is always in touch with the changes taking place in the environment. He identifies opportunities and finds strategies to capitalize on these opportunities at the earliest. Sensing the requirement of providing reasonably priced food at their own place within no time with multiple options, he started the first online food network in India. Because of _____ advantage, he was able to capture more than 85% of the market share in no time.	
Ans.	First Mover	1 mark for correct answer
Q. 4.	_____ feature of partnership states that any partner can act on behalf of the firm.	1
Ans.	Implied Authority	1 mark for correct answer
OR		
	_____ process of entrepreneurship involves the translation of a useful idea into an application which has commercial value.	1
Ans.	Innovation	1 mark for correct answer
Q.5	_____ and _____ are the components of a	1

	Brand shown in the figure.	
Ans.	Brand name and Brand mark	0.5+0.5 mark for each correct answer
Q. 6.	_____ is an affluent individual, who provides capital for a business start-up having a high-risk, high-return matrix usually in exchange for convertible debt or ownership equity.	1
Ans.	Business Angel / Informal investor / Angel investor (any one)	1 mark for correct answer
State whether the following statements are true or false :		
Q. 7.	A financial plan is a projection of key financial data about the potential investment commitment needed for the new venture.	1
Ans.	True	1 mark for correct answer
Q. 8.	SWOT Analysis means to consider (a) Strengths (b) Weakness (c) Opportunities and (d) Tenure of Business.	1
Ans.	False	1 mark for correct answer
Q. 9.	Primary Market facilitates transfer of resources from the savers to the entrepreneurs seeking funds for setting new enterprises	1
Ans.	True	1 mark for correct answer
Q. 10	Gupta is the owner of KYC stores dealing in grocery items. He has an equity stake of Rs.4,00,000 in the business. He has borrowed Rs.6,00,000 from State Bank of India. His net profit for the year is Rs.1,40,000. The Return on Equity for Gupta will be 23.33%.	1
Ans.	False	1 mark for correct answer
Q.11	In a Reverse acquisition a public company takes over a private company.	1
Ans.	False	1 mark for correct answer
OR	Sales promotions initiatives are often referred to as ‘above the line’ activities.	1
Ans.	False	1 mark for correct

		answer
Q.12.	The secondary market enhances the marketability of securities and provides liquidity to investments.	1
Ans.	True	1 mark for correct answer
Multiple Choice Questions		
Q.13.	Gross working capital means: (a) sum total of all assets. (b) sum total of all fixed assets. (c) sum total of all current assets. (d) current assets minus current liabilities.	1
Ans.	(c)	1 mark for correct answer
Q.14.	Marketing plan is a document: (a) regarding the marketing objectives , strategies and activities to be followed by the new Enterprise. (b) which describes the flow of goods/services from production point to the customers. (c) which determines how many units must be sold or how much sales volume must be achieved in order to have break-even-point . (d) which reflects the projected cash available with the Enterprise .	1
Ans.	(a)	1 mark for correct answer
Q.15	Growing flowers and selling to floral decorators is an example of the following source of idea field : (a) Service sector ideas (b) Trading related ideas (c) Natural resources (d) Market driven ideas	1
Ans.	(c)	1 mark for correct answer
Q.16.	Rushan devised an apparatus to measure the quality of air at home which can be fitted in any Air conditioner and the air conditioner can become an air purifier as well. His product is still in the pre-commercialization stage. Rushan wants to exclude others from making, using, selling and importing this apparatus. The intellectual property right which Rushan will have to obtain is : (a) Copyright (b) Patent (c) Industrial design (a) Trade mark	1

Ans.	(b)	1 mark for correct answer
Q.17	How many whole time members are nominated by the Union Government of India to Securities and Exchange Board of India? (a) 2 (b) 3 (c) 4 (d) 6	1
Ans.	b) (In case the candidate has given any other answer it should be marked correct)	1
SECTION B		
Q.18.	Sanjana graduated from National Institute of Fashion Studies and wants to start her own boutique. She wants to understand the feasibilities and viability of the proposed venture. This will also facilitate her in assessing and making provisions for the bottlenecks in the progress and implementation of the idea. She also wants to know about the success of the project along with the risk factors involved. Identify and give the meaning of the document which is required by Sanjana on the basis of the above para.	2
Ans.	Business Plan The business plan is a comprehensively written down document prepared by the entrepreneur describing formally all the relevant external and internal elements involved in starting a new venture.	1 mark for identification and 1 mark for meaning
Q.19.	Mahesh, an entrepreneur is planning to enter into a new business of manufacturing laptop bags with an inbuilt lock facility. Being highly complex and tedious, its manufacturing operations need to be well planned. He decides that the complete bag will be manufactured at his own factory i.e. no part of its manufacturing process will be outsourced. Identify the important component of business plan that is discussed above. Also, state what needs to be described in the above stated manufacturing situation.	2
Ans.	Production Plan. 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	1 mark for identification and 1 mark for explanation

	<p>conditions, iv) cost of manufacturing, v) any future capital equipment required etc.</p>	
Q.20.	State any four ways in which creative ideas can be generated.	2
Ans.	<p>1. Develop a new product or service. 2. Improve an existing product or service 3. Find a new process or resource for manufacturing a product. 4. Find new markets for existing products or services. 5. Find a new use of an existing product or service</p> <p>(ANY FOUR)</p>	0.5 x4 =2
OR		
	State any four sources which lead to the emergence of basic ideas.	2
Ans.	<p>Following are the various sources which lead to the emergence of basic ideas.</p> <p>a) Problems: When a problem exists, an idea leads to a solution to resolve that problem; it emerges as a business opportunity. b) Change: A change in social, legal, technological aspects etc. leads to new opportunities to start a business. c) Inventions: New products or services lead to new business opportunities. d) Competition: Competition often results in emergence of new and better ideas that result in new business opportunities. e) Innovation: Creating new things of value as well as new and creative processes that add value to the existing products or services.</p> <p>(ANY FOUR)</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	0.5 x4 =2
Q.21.	State any four advantages of ‘penetration pricing’ method to the firm.	2

Ans.	<p>The advantages of penetration pricing to the firm are:</p> <ol style="list-style-type: none"> 1. It can result in fast diffusion and adoption. This can achieve high market rates quickly. 2. It can create goodwill among the early adopters segment. 3. It creates cost control and cost reduction pressures from the start, leading to greater efficiency. 4. It discourages the entry of competitors. 5. It can create high stock turnover throughout the distribution channel 6. This can create critically important enthusiasm and support in the channel. <p>(ANY FOUR)</p>	0.5x4 =2
	OR	
	State any four purposes of 'Logo'.	2
Ans.	<p>Purposes of logo are:-</p> <ol style="list-style-type: none"> 1. Logos are a critical aspect of business marketing. As the company's major graphical representation, a logo anchors company's brand. 2. Corporate Logo is intended to be the 'Identity' of an enterprise because of displaying graphically enterprise's uniqueness. 3. Through a set color combination, fonts, images, impression and/or pattern, logos provide essential information about a company that allows customers to relate with the enterprise's core brand. 4. Enterprises normally resort to logo as a short path for advertising and other marketing materials. 5. Logos act as the key visual component of an enterprise's overall brand identity. <p>(ANY FOUR)</p>	0.5x4 =2
Q.22.	Government banned the use of polythene bags and single use plastic material in order to curb the increasing pollution level by dumping of plastics. Harjot took this as an opportunity and is planning to manufacture biodegradable bags of different sizes by processing the sugarcane bagasse. Create a logo and a tagline for the bags manufactured by Harjot.	2
Ans.	Any relevant Logo and Tagline	1 mark for logo +1 mark for tagline
Q.23.	Give the meaning of 'Cash Conversion Cycle'. How is Cash Conversion Cycle of a trading concern different from a manufacturing concern?	2
Ans.	<p>The duration between buying the raw material and receiving the cash from the customer is known as the Cash Conversion Cycle.</p> <p style="text-align: center;">Or</p>	1 mark for meaning + 1 mark for

	<p>The cash conversion cycle (CCC or Operating Cycle) is the length of time between a firm's purchase of inventory and the receipt of cash from accounts receivable.</p> <table border="1" style="width: 100%;"> <tr> <td style="text-align: center;">Trading concern</td> <td style="text-align: center;">Manufacturing concern</td> </tr> <tr> <td>The Cash Conversion Cycle of a trading concern will be shorter.</td> <td>The Cash Conversion Cycle of a manufacturing concern will be longer.</td> </tr> </table>	Trading concern	Manufacturing concern	The Cash Conversion Cycle of a trading concern will be shorter.	The Cash Conversion Cycle of a manufacturing concern will be longer.	difference
Trading concern	Manufacturing concern					
The Cash Conversion Cycle of a trading concern will be shorter.	The Cash Conversion Cycle of a manufacturing concern will be longer.					
Q.24	<p>'Pipro Ltd.' is a software company based in Bengluru, India. It is already listed at National Stock Exchange. In order to expand its business in north-east, under the 'Look East Policy' of the government, it needs financial resources.</p> <p>State any two methods through which she can fulfill her financial requirements through Primary Market other than Public issue.</p>	2				
Ans.	<p>a) Rights issue: Rights issue is a method of raising additional finance from existing shareholders by offering securities to them on pro-rata basis i.e. giving them a right to a certain number of shares in proportion to the shares they are holding.</p> <p>b) Private placement: It means the direct sale by a company of its securities to a limited number of sophisticated investors and the institutional investors like: i) Unit Trust of India ii) Life Insurance Corporation of India iii) General Insurance Corporation of India iv) Army Group Insurance v) State Level Financial Corporations, etc.</p> <p>c) Offer to employees: This method enables employees to become shareholders and share the profits of the company.</p> <p>(ANY TWO)</p>	<p>0.5 for headings +0.5 for explanation</p> <p>(1+1=2)</p>				
SECTION C						
Q.25.	<p>With the help of any three points, explain why is it important for a business to understand the environment in which it operates.</p>	3				
Ans.	<p>The importance of understanding the relevant environment of business are:</p> <p>i) Identification of opportunities to get first mover advantage: By keeping in touch with the changes in the external environment, an enterprise can identify opportunities and find strategies to capitalize on the opportunities at the earliest.</p> <p>ii) Formulation of strategies and policies: It helps in identifying threats and opportunities in the market. These can serve as the basis of formulation of strategies to counter threats and capitalize on opportunities in the market.</p>	1x3=3				

	<p>iii) Tapping useful resources: If a 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.</p> <p>iv) Better performance: Proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities to improve performance of the firm.</p> <p>v) Sensitization of entrepreneurs to cope up 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.</p> <p>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.</p> <p>(ANY THREE)</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	
	OR	
	Explain proforma investment decisions and proforma financing decisions as components of a financial plan.	3
Ans.	<p><u>Proforma investment decisions:</u> It relates to how the enterprise's funds are invested in different assets so that the enterprise is able to earn the highest possible returns on investment. The entrepreneur should mention investment required for:</p> <ul style="list-style-type: none"> i) Land and building ii) Machinery and plant iii) Installation cost iv) Preliminary expenses v) Margin for working capital vi) Expenses on research and development vii) Investment in short-term assets viz. raw material, level of cash, etc. <p><u>Proforma financing decisions:</u> It tells all the projected sources of funds available to the venture to raise finance from debt and equity after ensuring that the cost of capital and the financial risk stands minimized and return on investment and profitability stands maximized.</p>	1.5 marks for each component (1.5+1.5=3)
Q.26.	Rohit is working on designing of a unique face mask which would not only filter the air inhaled but also send alert messages on the registered mobile	3

	number if the user is in a zone of high pollution. This idea is germinated because of the interest and curiosity of Rohit as he is always interested in finding out the specific current problems and their solutions. Before launching his idea he also analysed the pros and cons of the product. Now he has to complete two more steps of an important process. Identify the process. Explain the steps to be completed by Rohit in the process identified.	
Ans.	Creativity Step to be taken by Rohit : 1. Illumination: In this period the idea re-surfaces in a realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea. 2. Verification: Also called the validation or testing stage. This is where the idea is verified to prove that it has value.	1 mark for identification + 1 mark for each step 1+2=3
Q27.	The footwear industry in India is dominated by 'B-relax Footwear'. 'B-relax Footwear' procures 70% of its raw material from 'Polymers Ltd'. The major production of 'Polymers Ltd. is plastic chips, PU foam and elastic which is used by 'B-relax Footwear' in its manufacturing processes. After due diligence, they decide to merge with each other. If they merge, 'B-relax Footwear' doesn't need to look for a vendor and sourcing raw materials would be seamless. On the other hand, as a result of the merger, 'Polymers Ltd.' doesn't need to worry about the sales and marketing. All they need to do is to improve their processes to produce better raw materials for 'B-relax Footwear'. After the merger the combined entity will be known as 'B-relax Inc'. (i) Identify and explain the type of merger between 'B-relax Footwear' and 'Polymers Ltd.' (ii) Why is due diligence required before merger? (iii) Which is the most dominant reason for this merger? Explain.	3
Ans.	i) Vertical Merger : A vertical merger occurs when two or more firms, operating at different levels within an industry's supply chain, merge operations ii) To ensure that the deal is beneficial to both the parties iii) Synergy : Synergy between the participating firms determines the increase in value of the combined entity.	1+1+1=3
Q.28	Calculate the Economic Order Quantity from the following information: (a) Annual consumption – 120 units. (b) Cost of placing and receiving an order – Rs.20 (c) Price per unit – Rs.100 (d) Storage cost as percentage of average inventory – 12%	3

Ans.	<p>Economic Order Quantity (EOQ) = $\sqrt{\frac{2PD}{C}}$</p> <p>Annual consumption (D) = 120 units</p> <p>Cost of placing and receiving an order (P) = Rs. 20</p> <p>Storage cost (C) = 12 % of average inventory</p> <p>= $\frac{12}{100} \times 100 = \text{Rs. } 12$</p> <p>EOQ = $\sqrt{\frac{2PD}{C}}$</p> <p>= $\sqrt{\frac{2 \times 20 \times 120}{12}}$</p> <p>= $\sqrt{400}$</p> <p>= 20 Units</p>	<p>1 mark for formula 2 marks for working</p> <p>1+2 =3</p>
OR		
	State any six features of Venture Capital Finance.	3
Ans.	<p>Features of Venture Capital Finance:-</p> <ol style="list-style-type: none"> 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 provides 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. <p>(ANY SIX)</p>	<p>0.5 for each statement x6= 3</p>
Q.29	<p>From the given situations, identify and explain the methods of floatation of new issues:</p> <ol style="list-style-type: none"> (i) ICICI is in need of additional capital for its new venture. It decides to raise funds by selling the issues mainly to General Insurance Corporation of India and Life Insurance Corporation of India. (ii) Jay is holding 100 shares of a company. He has been given a 	3

	<p>privilege offer to subscribe to a new issue of the same company in proportion of his current shareholdings with the company. Jay was unwilling to subscribe, so he renounced the offer in favour of Veeru who bought the shares.</p> <p>(iii) Gopal is working as the Regional Chairman in a well reputed Non- Banking Finance Company which is listed in Stock Exchange. As performance bonus, the company gave 25 equity shares to Gopal.</p>	
Ans.	<p>(i) Private placement: It means the direct sale by a company of its securities to a limited number of sophisticated investors and the institutional investors like: i) Unit Trust of India ii) Life Insurance Corporation of India iii) General Insurance Corporation of India iv) Army Group Insurance v) State Level Financial Corporations, etc.</p> <p>(ii) Rights issue: Rights issue is a method of raising additional finance from existing shareholders by offering securities to them on pro-rata basis i.e. giving them a right to a certain number of shares in proportion to the shares they are holding.</p> <p>(iii) Offer to employees: This method enables employees to become shareholders and share the profits of the company</p>	<p>0.5 for identification + 0.5 for explanation 1x3=3</p>
SECTION D		
Q.30	There are various ways in which an entrepreneur can spot trends. Describe the four ways of identifying the trends with the help of examples.	4
Ans.	<p>Ways in which an entrepreneur spots trends:- (any other suitable example for each)</p> <p>1. <u>Read trends</u> They regularly read the leading publications and websites affecting their business.</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.</p> <p>3. <u>Watch trends</u> There's no substitute for getting out in the market place. They make it a point to regularly go where their target customers hang out. If the customers are teenagers, that might be the local mall.</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'.</p>	<p>0.5 for heading + 0.5 for example 1x4=4</p>

	(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)	
Q.31	Explain with the help of any four points the advantages of franchising to the franchisee.	4
Ans.	<p>Advantages of franchising to the franchisee:-</p> <p>1. <u>Product acceptance</u>: The franchisee usually enters into a business that has an accepted name, product or service.</p> <p>2. <u>Management expertise</u>: Once the franchise has been started, most franchisors will offer managerial assistance on the basis of need. Toll-free numbers are also available so that the franchisee can ask questions anytime.</p> <p>3. <u>Capital requirements</u>: The layout of the facility, control of stock and inventory and the potential buying power of the entire franchise operation can save the entrepreneur significant funds.</p> <p>4. <u>Knowledge of the market</u>: Any established franchise business offers the entrepreneur years of experience in the business and knowledge of the market which is usually reflected in a plan offered to the franchisee that details the profile of the target customer and the strategies that should be implemented once the operation has begun.</p> <p>5. <u>Operating and structural controls</u>: Administrative controls unusually involve financial decisions related to costs, inventory and cash flow and personnel issues such as criteria for hiring/firing, scheduling and training to ensure consistent service to the customer.</p> <p>(ANY FOUR) (If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	<p>0.5 for identification + 0.5 for explanation</p> <p>1x4=4</p>
	OR	
	Explain Internal expansion and External expansion as part of growth and development of an Enterprise.	4

	<p>Internal expansion results from the gradual increase in the activities of the concern. 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.</p> <p>External expansion or business combination refers to business combination where two or more concerns combine and expand their business activities. External expansion may be in the following forms:</p> <p>a) Franchising b) Mergers c) Acquisitions</p>	<p>2+2=4</p>																								
<p>Q.32</p>	<p>‘Flavouright Foods Ltd.’ Started a business of making nachos (corn chips) in three variants, Classic Cheese, Toasted Corn and Tangy Tomato. To start with, all the three variants will be sold in a standard packing of 100 gms each, the selling price would differ due to the ingredients used. Fixed costs are 38,000</p> <p>Sales price and variable costs per unit are as follows:</p> <table border="1" data-bbox="264 842 1219 993"> <thead> <tr> <th>Particulars</th> <th>Classic Cheese</th> <th>Toasted Corn</th> <th>Tangy Tomato</th> </tr> </thead> <tbody> <tr> <td>Sales Price Rs.</td> <td>80</td> <td>45</td> <td>60</td> </tr> <tr> <td>Variable Cost Rs.</td> <td>40</td> <td>15</td> <td>20</td> </tr> <tr> <td>Packets sold</td> <td>100</td> <td>40</td> <td>60</td> </tr> </tbody> </table> <p>From the above information calculate :</p> <p>(a) Weighted contribution margin per unit. (b) Breakeven point – total and per product.</p>	Particulars	Classic Cheese	Toasted Corn	Tangy Tomato	Sales Price Rs.	80	45	60	Variable Cost Rs.	40	15	20	Packets sold	100	40	60	<p>4</p>								
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Packets Sold (sales Mix %)	100=50%	40=20%	60=30%																							
Contribution Margin in relation to sales mix	20	6	12																							

	<p>= 1000 Units</p> <p>BEP per product:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Classic cheese</td> <td>Toasted Corn</td> <td>Tangy Tomato</td> </tr> <tr> <td>1000 X 50% =500</td> <td>1000 X 20% =200</td> <td>1000 X 30% =300</td> </tr> </table>	Classic cheese	Toasted Corn	Tangy Tomato	1000 X 50% =500	1000 X 20% =200	1000 X 30% =300	
Classic cheese	Toasted Corn	Tangy Tomato						
1000 X 50% =500	1000 X 20% =200	1000 X 30% =300						
SECTION E								
Q.33	While preparing an operational plan, an entrepreneur has to pay attention towards various elements. Explain these elements.	6						
Ans.	<p>Elements of operational plan:</p> <p>1) Routing: It is a process concerned with determining exact route or path a product/ service has to follow right from raw material till its transformation into finished product.</p> <p>2) Scheduling: It means fixation of time, day, date when each operation is to be commenced and completed. In general, it is determination of the time that should be required to perform each operation.</p> <p>3) Dispatching: The process of initiating production in accordance with pre-conceived production plan is said to be dispatching.</p> <p>4) Follow-Up: It relates to evaluation and appraisal of work performed. A properly planned follow-up procedure is helpful in dispatching errors and defects in the work.</p> <p>5) Inspection: It is the art of comparing materials, product or performance with established standards. This element helps the entrepreneur to set up laboratories or evolve strategies/methods to ensure predetermined quality of product/service.</p> <p>6) Shipping: It describes the flow of goods/ services from production to the consumers.</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	<p>0.5 for heading +0.5 for explanation 1x6=6</p>						
	OR							
	Explain the steps for idea and opportunity assessment after the product identification has been done by the entrepreneur.	6						
Ans.	<p>After identification of product following are the steps to be followed by the entrepreneur for idea and opportunity assessment:-</p> <p>1. Application and use: Ideas should be examined for their real life use and application. If it already exists in the market, we will have to find out its present use, then we may think of modifying it for better use.</p>	<p>0.5 for heading +0.5 for explanation 1x6=6</p>						

	<p>2. <u>Level of operation:</u> This is a crucial test for product/service identification. Depending on the use of the product/service the entrepreneur will produce it in a cottage industry or a small scale–industry or a large–scale industry.</p> <p>3. <u>Cost:</u> What is per unit cost of the product at particular level of operation? Whether this cost is comparable with that of other competitive products? These are some of the questions that have to be answered. This will ultimately decide the sale price.</p> <p>4. <u>Competition:</u> Any product or service will face market competition at some stage. So market competition should be assessed through a study of the trends in demand and supply.</p> <p>5. <u>Technical complexity:</u> What type of technology is required to produce the product? Whether training and application of such technology will be locally available or will it have to be supported from other places? What would be the position of supply of plant and machinery for such a technology? These are important issues that have to be resolved.</p> <p>6. <u>Annual turnover and profit margin:</u> Ideas should also have to be examined on the basis of expected annual turnover. This will also indicate the market share of the product or service.</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)</p>	
Q.34	Explain any six reasons for the failure of mergers and acquisitions.	6
Ans.	<p>Reasons for failure of merger and acquisitions:-</p> <p>1. <u>Unrealistic price paid for target :</u> The process of M&A involves valuation of the target company and paying a price for taking over the assets of the company.</p> <p>2. <u>Difficulties in cultural integration :</u> there may be acute contrasts between the attitudes and values of the two companies, especially if the new partnership crosses national boundaries.</p> <p>3. <u>Overstated synergies</u> Mergers and acquisitions are looked upon as an important instrument for creating synergies through increased revenue, reduced costs and reduction in networking capital and improvement in the investment intensity. Overestimation for these can lead to failure of mergers.</p> <p>4. <u>Integration difficulties:</u> Companies very often face integration difficulties, i.e., the combined entity have to adapt to a new set of challenges given by the changed circumstances.</p>	<p>0.5 for heading +0.5 for explanation</p> <p>1x6=6</p>

5. Poor business fit: Mergers and acquisitions also fail when the products or services of the merging entities do not naturally fit into the acquirer's overall business plan. This delays efficient and effective integration and causes failure.

6. Inadequate due diligence: It helps in detecting financial and business risks that the acquirer inherits from the target company. Inaccurate estimation of the related risk can result in failure of the merger.

7. High leverage: To pay the price of acquisition, the acquirer may borrow heavily from the market. This creates a very high leveraged structure and increases the interest burden of the company.

8. Boardroom split: When a merger is planned, it is crucial to evaluate the composition of the boardroom and compatibility of the directors. Managers or directors who are suddenly deprived of authority can be particularly bitter.

9. Regulatory issues : The entire process of merger requires legal approvals. If any of the stakeholders are not in favour of the merger, they might create legal obstacles and slow down the entire process.

10. Human resources issues

A merger or acquisition is identified with job losses, restructuring and the imposition of a new corporate culture and identity. This can create uncertainty, anxiety and resentment among the company's employees.

(ANY SIX)

(If an examinee has not given the headings as above but has given the correct explanation, full credit should be given)

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Senior School Certificate Examination-2020

Marking Scheme – ENTREPRENEURSHIP

(SUBJECT CODE :066) (PAPER CODE : HMJ)

General Instructions: -

1. You are aware that evaluation is the most important process in the actual and correct assessment of the candidates. A small mistake in evaluation may lead to serious problems which may affect the future of the candidates, education system and teaching profession. To avoid mistakes, it is requested that before starting evaluation, you must read and understand the spot evaluation guidelines carefully. **Evaluation is a 10-12 days mission for all of us. Hence, it is necessary that you put in your best efforts in this process.**
2. Evaluation is to be done as per instructions provided in the Marking Scheme. It should not be done according to one's own interpretation or any other consideration. Marking Scheme should be strictly adhered to and religiously followed. **However, while evaluating, answers which are based on latest information or knowledge and/or are innovative, they may be assessed for their correctness otherwise and marks be awarded to them.**
3. The Head-Examiner must go through the first five answer books evaluated by each evaluator on the first day, to ensure that evaluation has been carried out as per the instructions given in the Marking Scheme. The remaining answer books meant for evaluation shall be given only after ensuring that there is no significant variation in the marking of individual evaluators.
4. Evaluators will mark(✓) wherever answer is correct. For wrong answer 'X' be marked. Evaluators will not put right kind of mark while evaluating which gives an impression that answer is correct and no marks are awarded. **This is most common mistake which evaluators are committing.**
5. If a question has parts, please award marks on the right-hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left-hand margin and encircled. This may be followed strictly.
6. If a question does not have any parts, marks must be awarded in the left-hand margin and encircled. This may also be followed strictly.
7. If a student has attempted an extra question, answer of the question deserving more marks should be retained and the other answer scored out.
8. No marks to be deducted for the cumulative effect of an error. It should be penalized only once.
9. A full scale of marks **0-70** has to be used. Please do not hesitate to award full marks if the answer deserves it.
10. Every examiner has to necessarily do evaluation work for full working hours i.e. 8 hours every day and evaluate 20 answer books per day in main subjects and 25 answer books per day in other subjects (Details are given in Spot Guidelines).
11. Ensure that you do not make the following common types of errors committed by the Examiner in the past:-
 - Leaving answer or part thereof unassessed in an answer book.
 - Giving more marks for an answer than assigned to it.
 - Wrong totaling of marks awarded on a reply.
 - Wrong transfer of marks from the inside pages of the answer book to the title page.
 - Wrong question wise totaling on the title page.
 - Wrong totaling of marks of the two columns on the title page.
 - Wrong grand total.
 - Marks in words and figures not tallying.
 - Wrong transfer of marks from the answer book to online award list.
 - Answers marked as correct, but marks not awarded. (Ensure that the right tick mark is correctly and clearly indicated. It should merely be a line. Same is with the X for incorrect answer.)

- Half or a part of answer marked correct and the rest as wrong, but no marks awarded.
12. While evaluating the answer books if the answer is found to be totally incorrect, it should be marked as cross (X) and awarded zero (0)Marks.
 13. Any unassessed portion, non-carrying over of marks to the title page, or totaling error detected by the candidate shall damage the prestige of all the personnel engaged in the evaluation work as also of the Board. Hence, in order to uphold the prestige of all concerned, it is again reiterated that the instructions be followed meticulously and judiciously.
 14. The Examiners should acquaint themselves with the guidelines given in the Guidelines for spot Evaluation before starting the actual evaluation.
 15. Every Examiner shall also ensure that all the answers are evaluated, marks carried over to the title page, correctly totaled and written in figures and words.
 16. The Board permits candidates to obtain photocopy of the Answer Book on request in an RTI application and also separately as a part of the re-evaluation process on payment of the processing charges.

MARKING SCHEME 98 (Series HMJ)

ENTREPRENEURSHIP (066), 2020

Q.No.	Question with expected answers	Marks
	SECTION A	
Q. 1	A prospective entrepreneur has to find an opportunity which would be suitable for him/her in terms of _____ and _____.	1
Ans	Customers to be served, Profits expected	0.5 marks for each correct answer 0.5 x 2 = 1
Q. 2	_____ is a simple but powerful message that helps to communicate an enterprise's goals, mission, distinct qualities and so much more.	1
Ans	Tagline	1
Q. 3	The Securities and Exchange Board of India performs various functions which makes it very powerful. But to create accountability there is an appeal process which lies with _____ and _____.	1
Ans	Securities Appellate Tribunal , Supreme Court Note: In case the candidate has given any other answer it should be marked correct.	0.5 marks for each correct answer 0.5 x 2 = 1
OR	_____ is an equity based investment in a growth-oriented, small to medium sized business, which in most cases would not qualify for receiving bank loans.	1
Ans	Venture Capital	1
Q. 4	A viable venture is born when knowledge, skills, _____ and _____ is strategically applied.	1
Ans	Competency, Creativity	0.5 marks for each correct answer 0.5 x 2 = 1
Q. 5	The organization, management, membership and functioning of Stock Exchange in India is governed by the provisions of _____.	1
Ans	The Securities Contracts (Regulation) Act, 1956	1
Q. 6	Piyush and Ramesh are engaged in wholesale business of pulses. They buy pulses directly from farmers in bulk and sell in small lots to the retailers. Both of them know their roles and responsibilities. They have also laid down the procedure for solving conflicts between them, if any. All the above information is described in an important component of a business plan. The component is _____.	1
Ans	Organisational Plan	1

	State whether the following statements are true or false:	
Q. 7	The secondary market offers opportunity to an entrepreneur to issue additional capital as and when required.	1
Ans	False	1
Q. 8	Business environment consists of three levels, i.e. SWOT analysis level, micro level and macro level.	1
Ans	False	1
Q. 9	Ravi created a portable incinerator to be installed in the houses. The dry waste generated at homes can be converted by it into ash that can be used as manure for plants. He has installed five prototypes of this incinerator in his society to test its working and to prove its value. Ravi is in the verification stage of his product.	1
Ans	True	1
Q. 10	Devidayal Ltd. is into manufacturing of stainless steel and copper utensils from last 20 years and has a good reputation in the market. The company needs funds for expansion. It decided to bring a new issue of shares worth Rs. 1 crore. Through a circular, these shares will be proposed to the existing shareholders and in case they are not willing to subscribe, they can renounce the same in favour of another person. Devidayal Ltd. is raising capital through private placement.	1
Ans	False	1
Q. 11	Direct sale of its securities by a company to a limited number of sophisticated investors is known as Rights Issue.	1
Ans	False	1
	OR	
	When total current assets exceed total current liabilities it refers to Gross Working Capital.	1
Ans	False	1
Q. 12	'Free home delivery of food' is a trading related idea.	1
Ans	False	1
	Multiple choice questions	
Q. 13	In the drive to make the world 'plastic free', Aru designed a machine to convert single-use plastic into very small granules that could be used for making low cost roads. Her machine worked with the help of solar energy. She put her idea before the venture capitalists by making an entertaining slide show and oral narration. She also presented the executive summary of her proposed venture and a few key graphs. The format of business plan used by Aru is : (A) Elevator pitch (B) A pitch deck with oral narrative (C) A written presentation for external stakeholders (D) An internal operational plan	1
Ans	B	1
Q. 14	The 'marketing strategy' and 'action plan' comprise of decisions pertaining	1

	to which of the following: (A) Potential hazards present in the competitive environment (B) Product, place, price, promotion (C) Customer's characteristics (D) Quantifying goals of the organization	
Ans	B	1
Q. 15	Which of the following is not a component of product mix : (A) Branding (B) Labelling (C) Packaging (D) Promotion	1
Ans	D	1
Q. 16	Harjot is planning to set up a unit for manufacturing biodegradable bags of different sizes by processing the sugarcane bagasse. She also plans to be fully relieved of the problem of distribution and thus decides to hand over her entire output to the selling agents. The channel of distribution used by Harjot is: (A) Zero level (B) One level (C) Two level (D) Three level	1
Ans	D	1
Q. 17	Raghav sells an air purifier for Rs. 2,100. If the purchase price of the product is 80% of its selling price, the profit earned by Raghav is : (A) Rs.1,700 (B) Rs.1,680 (C) Rs. 420 (D) Rs. 400	1
Ans	C	1
SECTION – B		
Q. 18	What is meant by environment scanning? Why does an entrepreneur need to scan the environment?	2
Ans	Meaning: Careful monitoring of an organization's internal and external environment for detecting early signs of opportunities and threats that may influence its current and future plans is called environment scanning. Need: The right information, combined with the right adaptations, can determine an organization's future viability. If an entrepreneur is not aware of the environment surrounding his/her business, he/she is sure to fail. OR	1 mark for meaning + 1 mark for need
	Description of business venture is an important component of a business plan. Physical infrastructure is one of the key elements covered under this. State about (i) utilities, and (ii) production process as part of the physical infrastructure.	2
Ans	1. Utilities: These include: power, fuel, water, gas, electricity, etc. Business plan needs to clearly state: (a) type of utilities required, (b)	0.5 mark for mentioning <i>only</i>

	<p>load sanctioned (c) sources and quality of water used quantum of coal, coke, oil etc. required and the suppliers of the same.</p> <p>2. Production process: A mention of the process involved in production, the installed licensed capacity of the plant, the technology to be used, whether available locally or imported, shifts involved, needs to be present in the business plan.</p>	<p>the utilities. 1 mark to be given if complete explanation is given.</p> <p>1 mark for complete explanation</p> <p>0.5 + 0.5 + 1=2</p>
Q. 19	<p>Sukrit is a green entrepreneur who has launched a new water conserving apparatus for urban houses by the name of 'JALASHAY'. This apparatus is a compact system to be installed on the roof of the houses to harvest rainwater. The uniqueness of the system is that it has an inbuilt water treatment mechanism that makes the water ready for use as soon as it is collected.</p> <p>Sukrit has set up laboratories to test the water quality with the established standards. By doing so, he is paying specific attention to one of the important elements of the operational plan.</p> <p>Identify the element and explain one more element of this plan.</p>	2
Ans	<p>Identification of the element given in the statement of the question - Inspection</p> <p>(Any one of the following element)</p> <p>a. Routing – it is a process concerned with determining the exact route from raw material to finished product.</p> <p>b. Scheduling – it means fixing the time, day, date when the operation has to be commenced and completed.</p> <p>c. Dispatching – this is the process of initiating production with preconceived production plan.</p> <p>d. Follow up – it relates to evaluation and appraisal of work performed.</p> <p>e. Shipping – this gives the chronological steps involved in completing the business transaction efficiently and profitably.</p>	1 mark for identification and 1 mark for explanation of one more element
Q. 20	<p>How does stock exchange ensure the safety of the investment of an investor? Explain by giving any two reasons.</p>	2
Ans	<p>1. Dissemination of useful information: Stock exchange publishes useful information regarding price lists, quotations, etc., of securities through newspapers and journals. The interested persons buy and sell their securities on the basis of information provided by the stock exchanges.</p> <p>2. Investors' interests protected: Stock exchanges formulate rules and regulations so that members may not exploit the investors.</p>	1 + 1

	<p>3. Genuine guidance about the securities listed: The investors can safely depend upon the information provided by the stock exchanges.</p> <p>(Any two) (If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	
Q. 21	Giving any two reasons, explain how franchising is a viable option for the growth of start-up firms.	2
Ans	<p>1. Franchising offers startups an established product in the market for a royalty which helps them.</p> <p>2. Startups take up training to understand the product and franchisors make franchises fully conversant with the product/services that they have to offer for a fee. It is very important that the Sales-man must know his/her product. In this case, start-ups are the sales person.</p> <p>3. The start-ups can grow fast without having to increase labour, operating costs and blocking running expenses because normally buyers straight walk up to them.</p> <p>4. In practical Franchises work for the benefit of franchisors.</p> <p>(Any Two Reasons)</p>	1 + 1
OR	While selecting a distribution channel, the entrepreneur has to take into consideration various factors relating to product, market, company and government. Explain any two market-related factors.	2
Ans	<p>Market related factors:</p> <ol style="list-style-type: none"> 1. Number of buyers- Services of middlemen when buyers are large Direct channel when buyers are less 2. Types of buyers- General buyers – more middlemen Industrial buyers- direct channel 3. Buying habits – when goods are sold on credit- middlemen 4. Buying Quantity- Goods purchased in smaller quantity- middlemen 5. Size of market- Market area scattered – use of middlemen <p>(Any two) (If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	1 + 1
Q. 22	BarleAgro Ltd. is a famous name for bottled beverages like cold coffee, flavoured milk, iced tea, etc. Now the company is planning to introduce a range of fresh fruit smoothies giving competition to big multinational and Indian brands. The company has a very effective marketing department. Create a tagline and an individual brand name for the upcoming product range of BarleAgro Ltd.	2
Ans	Any relevant tagline and brand name.	1 mark for Individual Brand Name +1

		mark for tagline
Q. 23	Understanding lifestyle changes and attitude towards work and leisure, Flizon India Ltd. started an online shopping portal offering same day delivery to its customers without any extra charge, on orders above Rs.500. The company also installed an online payment security system where there is end-to-end encryption of the banking details of the customer. Identify and state the two environmental factors discussed above.	2
Ans	Social Factor- Free home delivery, changes in lifestyle, attitude towards work and leisure. Technological – Secured online banking transactions	0.5 mark for identification and 0.5 mark for statement 1 + 1 = 2
Q. 24	State how obtaining venture capital is different from raising loan from a lender. Also state any two areas where venture-capitalists decide to invest.	2
Ans	Obtaining venture capital is substantially different from raising debt or a loan from a lender. Lenders have a legal right to interest on a loan and repayment of the capital, irrespective of the success or failure of a business. But, a venture capital is invested in exchange for an equity stake in the business. (Any two areas where venture capitalists decided to invest) a. They may invest in any of the many opportunities presented to them. b. Looks for the extremely rare, yet sought after qualities such as innovative technology, potential for rapid growth, a well-developed business model, an impressive management team c. Looks for an ‘exit’ in the time frame of typically 3-7 years d. Inclined towards ventures with exceptionally high growth potential.	1 + ½ + ½
SECTION C		
Q. 25	There are various sources of idea fields like natural resources, existing products or services, creative efforts, etc. The entrepreneurs who look at ways to make an existing product or service better, have a number of reasons for this. Giving example, explain any two such reasons.	3
Ans	1. Keep up with the competition: If you provide services or products in an industry that is constantly changing, it's important to stay aware of the latest in industry trends so that one can continue to be competitive. 2. Increase sales: The main reason people will change and improve their existing product line is to increase their sales and ultimately, their revenue. By adding to the product line, one can take the company in a new direction by increasing sales. 3. Working on existing products and services can generate a number of ideas to improve them or to provide cheaper substitutes or to bring about a reduction in price. (Any two points with suitable examples)	1 mark for example 1 mark each for reason

	(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)	
	OR	
	Explain 'product identification', 'application and use' and 'level of operation' as important steps in idea and opportunity assessment.	3
Ans	<ol style="list-style-type: none"> 1. Product Identification – an idea should lead the entrepreneur to a definite product/service which he can sell. He should also see whether this product is already available in the market or not. If it is, then, identify the reason for introducing the same product. 2. Application and use- ideas should be examined for their real life use and application. If it already exists in the market, then find out its present use and think of modifying it for better use. 3. Level of operation- depending upon the use of the product/service the entrepreneur will produce it in a cottage industry or a small scale industry or a large scale industry. 	1 x 3 = 3
Q. 26	<p>Rashi has done her Acharya degree in Ayurveda from Trichy. She is planning to start a small scale enterprise of making herbal face care and body care products by the name 'Skinatural'. She makes use of her extensive knowledge about herbs to create products that can suit all skin types. She is also taking care of the allergen factor as the products have to be applied on skin. She is planning to offer only dry mix of the herbs to be blended by the user at the time of use.</p> <p>Create an introduction for her product relating to the 'Product details' in the business plan which will help her to attract the customers.</p>	3
Ans	<p>Any three product details from the following with statement based on the information given in the question:</p> <ol style="list-style-type: none"> 1. Product utility 2. Product Range 3. Product design 4. USP of the product 	1 x 3 = 3
Q. 27	<p>Fa-Hein, a tourist from China came to India with his family. For a week-long stay in Mumbai, he booked two rooms in a well-reputed international hotel 'Milton'. During his stay, he experienced some problems in the services of the hotel. He complained to the manager about the same. The manager tried to resolve them to the best of his ability.</p> <p>Fa-Hein, on returning back to China wrote a mail to the Chief Executive Officer (CEO) of Milton Hotel, giving his feedback and stating his dissatisfying experience at their hotel. The CEO apologized for the same and gave Fa-Hein a complimentary stay with family for a week in any hotel of the 'Milton group.'</p> <p>Identify the process which carefully manages the information of the individual customers in order to manage the loyalty. Also explain the benefits of this process to the businesses.</p>	3
Ans	<p>The process is Customer Relationship Management.</p> <p>Benefits of Customer Relationship Management are:</p>	1 mark for identification + 2 marks for

	<p>1. The biggest benefit most businesses realise when moving to a CRM system comes directly from having all your business data stored and accessed from a single location.</p> <p>2. Other benefits include a 360 degree view of all the customer information, knowledge of what customers and the general market wants and integration with existing applications to consolidate all business information.</p>	benefits
Q. 28	'Meow Milk Center' sells 3,000 bottles of flavoured milk per year. Cost of one milk bottle is Rs.60. Holding cost per annum is Rs. 12. Ordering cost is Rs. 500 per order. Calculate the 'Economic Order Quantity'.	3
Ans	<p>C= Rs. 12</p> <p>D= 3,000 bottles</p> <p>P= Rs. 500</p> $EOQ = \sqrt{\frac{2 \times \text{annual demand} \times \text{ordering cost per unit}}{\text{Carrying cost per unit}}}$ $\sqrt{\frac{2dp}{c}}$ $= \sqrt{2 \times 3000 \times 500 / 12}$ <p>= 500 units.</p>	1 mark for formula + 2 marks for working
Q. 29	Explain 'production budget', 'cash budget' and 'project budget' as types of budgets.	3
Ans	<p>1. Production budget – an estimate of the number of units that must be manufactured to meet the sales goals. It also estimates the various costs involved with manufacturing those units, including labor and material.</p> <p>2. Cash flow budget – used to determine whether an organization long term investments such as new machinery, replacement machinery, new plants, products and research developments projects are work pursuing.</p> <p>3. Project budget – a prediction of the costs associated with a particular company project. These costs include labour, materials, and other related expenses. The project budget is often broken down into specific tasks, with task budgets assigned to each.</p> <p>Note: In case the candidate has given any other answer it should be marked correct.</p> <p style="text-align: center;">OR</p>	1 x 3 = 3
	Explain 'Stock Keeping Unit Code', 'Lead time' and 'Safety aspects' as items that make up the inventory.	3
Ans	1. Stock keeping unit code:	1 x 3 = 3

	<p>Each and every item in the inventory is to be identified with a unique code which signifies certain aspects of the item. It can be color, size, weight etc.,</p> <p>2. Lead time: Lead time to manufacture or procure an item depends on many factors. Combined effect of these factors like standard or special raw material, processing time, scheduling of machines, distance between source and user point make up the lead time for an item.</p> <p>3. Safety aspects: Some of the items are hazardous in nature and special precautions have to be taken in their storage.</p>	
	SECTION – D	
Q. 30	Why is a business plan valuable for an entrepreneur? Explain with the help of any four points.	4
Ans	<p>The importance of business plan is as follows–</p> <p>1. Helps in determining the viability of the venture in a designated market.</p> <p>2. Helps in providing guidance to the entrepreneur in organizing his/her planning activities such as: i) identifying the resources required ii) enabling obtaining of licenses if required etc. iii) working out with legal requirements as desired by the government.</p> <p>3. Helps in satisfying the concerns, queries, and issues of each group of people interested in the venture.</p> <p>4. Provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles.</p> <p>5. Business plan helps to realize the obstacles which cannot be avoided or overcome, suggesting to terminate the venture while still on paper without investing further time and money.</p> <p>6. Business plan reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.</p> <p>(Any four points)</p>	1 x 4
Q. 31	Explain any four reasons for failure of merger and acquisition.	4
Ans	<p>Reasons for failure of Merger and Acquisitions (M & A) are as follows:</p> <p>1. Unrealistic price paid for target: The process of M&A involves valuation of the target company and paying a price for taking over the assets of the company.</p> <p>2. Difficulties in cultural integration: Every merger involves combining of two or more different entities. These entities reflect different</p>	1 x 4

	<p>corporate cultures, styles of leadership, differing employee expectations and functional differences.</p> <p>3. Overstated synergies: Mergers and acquisitions are looked upon as an important instrument for creating synergies through increased revenue, reduced costs and reduction in networking capital and improvement in the investment intensity. Overestimation for these can lead to failure of mergers.</p> <p>4. Integration difficulties: Companies very often face integration difficulties, i.e., the combined entity has to adapt to a new set of challenges given by the changed circumstances.</p> <p>5. Poor business fit: Mergers and acquisitions also fail when the products or services of the merging entities do not naturally fit into the acquirer's overall business plan.</p> <p>6. Inadequate due diligence: Due diligence is a crucial component of the M&A process as it helps in detecting financial and business risks that the acquirer inherits from the target company.</p> <p>7. High leverage: One of the most crucial elements of an effective acquisition strategy is planning how one intends to finance the deal through an ideal capital structure. The acquirer may decide to acquire the target through cash. To pay the price of acquisition, the acquirer may borrow heavily from the market. This creates a very high leveraged structure and increases the interest burden of the company.</p> <p>8. Boardroom split: When a merger is planned, it is crucial to evaluate the composition of the boardroom and compatibility of the directors.</p> <p>9. Regulatory issues: The entire process of merger requires legal approvals. If any of the stakeholders are not in favour of the merger, they might create legal obstacles and slow down the entire process.</p> <p>10. Human resources issues: A merger or acquisition is identified with job losses, restructuring and the imposition of a new corporate culture and identity. This can create uncertainty, anxiety and resentment among the company's employees. These HR issues are crucial to the success of M&As.</p> <p>(Any four points)</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	
OR	Explain any four requirements for 'Value Chain Management'.	4
Ans	<p>1.Coordination and collaboration: To increase efficiency within an organization, coordination and collaboration is essential. Coordinate work groups to ensure efforts are not duplicated.</p> <p>2. Technology investment: Technology plays a large role in manufacturing and distribution. With outdated technology, such as old</p>	1 x 4 = 4

	<p>computers or machinery.</p> <p>3. Organizational process: In value chain management, every aspect of an organization's process is identified.</p> <p>4. Leadership: Strong leaders are crucial to the success in value chain management. Good leaders earn the respect of their employees through sound management practices.</p> <p>5. Employee/human resources: A central hub of information on benefits, company policies, hiring and conflict management is also necessary for a corporation to function properly.</p> <p>6. Organizational culture and attitudes: Organizations that foster strong cultural identity with positive attitudes tend to attract and retain top employees. Regular corporate sponsored activities are suggested to help build cultural unity and keep attitudes positive while boosting productivity.</p> <p>(Any Four)</p> <p>Note: In case the candidate has given any other answer it should be marked correct.</p>																									
Q. 32	<p>Bright Lights Pvt. Ltd. started a business of making three varieties of bulbs. From the following information, calculate breakeven for the three varieties of bulbs for the company in units :</p> <table border="1" data-bbox="237 1182 1235 1413"> <thead> <tr> <th>Particulars</th> <th>LED bulb Zero Watt</th> <th>LED bulb 10 Watts</th> <th>LED bulb 20 Watts</th> </tr> </thead> <tbody> <tr> <td>Sales Price (Rs)</td> <td>80</td> <td>45</td> <td>60</td> </tr> <tr> <td>Variable Cost (Rs)</td> <td>40</td> <td>15</td> <td>20</td> </tr> <tr> <td>Sales Mix</td> <td>50%</td> <td>20%</td> <td>30%</td> </tr> </tbody> </table> <p>Fixed costs for the production process is Rs. 76,000.</p>	Particulars	LED bulb Zero Watt	LED bulb 10 Watts	LED bulb 20 Watts	Sales Price (Rs)	80	45	60	Variable Cost (Rs)	40	15	20	Sales Mix	50%	20%	30%	4								
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	<p>Weighted Contribution = 20+6+12= Rs.38</p> <p>BEP = Fixed cost/WACM = 76,000/38= 2000 units</p> <p>In Units:</p> <p>LED bulb Zero watt = 50% of 2000 = 1000 units</p> <p>LED bulb 10 watt = 20% of 2000 = 400 units</p> <p>LED bulb 20 watt = 30% of 2000 = 600 units.</p>	<p>calculation of weighted contribution</p> <p>0.5 mark for total BEP +</p> <p>0.5 mark each for individual break even of the three varieties</p>
	SECTION – E	
Q. 33	Explain any six components of a financial plan.	6
Ans	<p>A) Proforma investment decisions: This part of financial plan relates to how the enterprise's funds are invested in different assets so that the enterprise is able to earn the highest possible returns on investment. The entrepreneur should mention investment required in for: i) Land and building ii) Machinery and plant iii) Installation cost iv) Preliminary expenses v) Margin for working capital vi) Expenses on research and development vii) Investment in short-term assets viz. raw material, level of cash, etc. This part helps to understand the total amount of finance required by the entrepreneur. Inadequate funds or excess funds, both have the capacity to severely damage the financial fortune of a business. Therefore, these decisions must be taken with utmost care.</p> <p>B) Proforma financing decisions: This section summarizes all the projected sources of funds available to the venture to raise finance. Typically, sources of funds are: i) owners i.e. Owner's funds ii) outsiders i.e. Borrowed funds The entrepreneur's job is to ensure the selection of the best overall mix of financing for the enterprise so that: a) the cost of capital and the financial risk stands minimized, b) return on investment and profitability stands maximized.</p> <p>C) Proforma income statement: The proforma income statement is the projected net profit calculated from projected revenue minus projected costs and expenses. Basically, it summarizes all the profit data during the first year of operations of the new enterprises.</p> <p>D) Proforma cash flow: Profit and cash flow are not the same, Proforma cash flow reflects the projected cash available with the enterprise as a result of subtracting projected cash disbursements from projected cash accumulations. Cash flows only when actual payments are received or made. Mere sale which might be on credit, will not generate cash.</p> <p>E) Proforma balance sheet: This document helps the enterprise to reflect the position of the business at the end of its first year. A summary of the projected assets, liabilities and net worth of the entrepreneur is depicted through proforma balance sheet.</p> <p>F) Break–even point: Every firm wants to maximise its profits. The</p>	<p>0.5 for heading + 0.5 for explanation for each point</p> <p>1 x 6</p>

	<p>Breakeven point is that level of volume of production at which firm neither makes a profit nor a loss.</p> <p>G) Economic and social variables: In view of the social responsibility of business, the abatement costs, i.e. the cost of controlling the environmental damage should also be stated in the plan.</p> <p>(Any six points)</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p> <p style="text-align: center;">OR</p>	
	In addition to 'number of persons', 'profit sharing' and 'agreement', there are various other features of partnership. Explain any six such features.	6
Ans	<p>1. Unlimited liability: Mostly, the liability of the partners of a firm is unlimited. Their personal properties can be disposed off to pay the debts of the firm if required. The creditors can claim their dues from any one of the partner or from all of them, meaning partners are liable:</p> <ul style="list-style-type: none"> • Individually • Collectively <p>2. Implied authority: There is an implied authority that any partner can act on behalf of the firm. The firm stands bound by the acts of partners.</p> <p>3. Mutual agency: The business of partnership can be carried on by all the partners or any one of them acting for all. Thus, every partner is principal as well as agent of other partners and of the firm. Thus, (i) Each partner is liable for acts performed by other partners, (ii) Each partner can bind other partners and the firm by his acts done in the ordinary course of business.</p> <p>4. Utmost good faith: Every partner is supposed to act honestly and give proper accounts to other partners. Thus, mutual faith and confidence in one another is the main strength of partnership.</p> <p>5. Restriction on transfer of shares: No partner can sell or transfer his share to anybody else without the consent of the other partners. By giving a notice for dissolution of the firm, a partner can show intention to discontinue as partner.</p> <p>6. Continuity: A partnership continues up to the time that all partners desire to continue it. Legally, a firm dissolves on the retirement, death, bankruptcy lunacy, or disability of a partner if not otherwise provided for in the partnership deed.</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	<p>0.5 for heading + 0.5 for explanation for each point</p> <p>1 x 6 = 6</p>

Q. 34	Differentiate between 'Penetrating pricing' and 'Skimming pricing'. State the situations when 'Penetrating pricing' and 'Skimming pricing' are useful. Also state any two disadvantages each for Penetrating pricing and Skimming pricing.	6
Ans	<p>Difference:</p> <p>Penetration pricing is a pricing strategy where the price of a product is initially set at a price lower than the eventual market price to attract new customers. The strategy works on the expectations that customers will switch to the new brand because of the lower price.</p> <p>Under Skimming pricing the price of a product is initially set at a higher price so that fewer sales are needed to break even. It is usually employed to reimburse the cost of investment of the original research.</p> <p>Situations where Penetration and Skimming are useful:</p> <p>Penetration: it is useful for low priced goods. It is associated with the marketing objective of increasing market share or sales volume rather than to make profit in the short term.</p> <p>Skimming: it caters to the consumers who are quality conscious rather than price conscious. In this pricing method, products are sold at a high price, sacrificing high sales to gain a high profit.</p> <p>Disadvantages of Penetration pricing:</p> <ol style="list-style-type: none"> 1. It establishes long term expectations for the product and image preconceptions for the brand and company. This pricing attracts only the switchers and they will switch again as the price rises. 2. Low profit margin may not be sustainable long enough for the strategy to be effective. <p>Disadvantages of Skimming pricing:</p> <ol style="list-style-type: none"> 1. This strategy can backfire if there are close competitors and they also introduce same products at lower price then consumers will think that the company always sells the products at higher prices which will result in consumers abandoning other products of the company also. 2. Price skimming is not a viable option when there are strict legal and government regulations regarding consumer rights. 3. If the company has history of price skimming then consumers will never buy a product when it is newly launched, they would rather wait for a few months and buy the product at lower price. <p>(Any two)</p>	2 + 2 + 2