

**Sample Question Paper (2023-24)**  
**Subject: Entrepreneurship (066)**  
**Class: XII**

Time: 3 Hours

Max Marks: 70

General Instructions:

1. This question paper contains 34 questions.
2. The question paper contains 4 sections - A, B, C and D
  - 1.1. Section A contains multiple choice questions
  - 1.2. Section B - 2 marks; Answers to these questions may be from 30-40 words.
  - 1.3. Section C - 3 marks; Answers to these questions may be from 50-75 words.
  - 1.4. Section D - 5 marks; Answers to these questions may be from 120-150
3. Internal choice is given in the paper, there is no overall choice.

Part A		
Q. No.		Marks
1	Environmental analysis is required by every firm to determine the opportunities and threats in an organisation. What is required to process and analyse the so obtained data? a. Quantitative analysis b. Qualitative analysis c. PESTEL analysis d. Both Quantitative and Qualitative analysis	1
2	'Shiny Teeth' have been in the field of manufacturing toothpastes since 2010. They decided to foray into the field of other specialised products in oral hygiene. Initially they decided to promote their specialised products to a large audience in the same manner as how they have been promoting their toothpastes. Within a few months they realised that their promotion technique is not working. The marketing team analysed and came to the conclusion that the specialised products should be promoted to a specific target audience. This idea worked very well and the promotion was a success. Identify all the promotion strategies used by them? i. Above the line ii. Below the line iii. Through the line  a. i only b. ii only c. i and ii d. i, ii, iii	1



3	<p>Mr. Dhambani is the CFO of Cherico Industries. He has to present the analysis of the financial health of the company during the last financial year, 2022-2023. He is making a presentation for the Annual Board Meet.</p> <p>To clearly explain the position he needs to work on:</p> <ul style="list-style-type: none"> <li>i. Financial Plan</li> <li>ii. Economic order quantity</li> <li>iii. Return on Investment</li> <li>iv. Break Even Analysis</li> <li>v. Return on Equity</li> </ul> <ul style="list-style-type: none"> <li>a. i and ii</li> <li>b. ii and iii</li> <li>c. iii and v</li> <li>d. iv and v</li> </ul>	1
4	<p>Aarna industries started manufacturing ice-creams under the brand name 'Tasty'. The company decided to use 3D animation techniques which will be projected on buildings. They chose several high raise buildings all over major metropolitan cities and started their advertising campaign.</p> <p>What form of media is the company using?</p> <ul style="list-style-type: none"> <li>a. Television</li> <li>b. Point of sale</li> <li>c. Ambient</li> <li>d. Cinema</li> </ul>	1
5	<p>Identify the various factors which will help the entrepreneur as well as the potential investor from the organisational plan.</p> <ul style="list-style-type: none"> <li>i. Long-term effectiveness of the enterprise</li> <li>ii. Profitability</li> <li>iii. Specifying the types of skills needed and the roles that must be filled by the members</li> <li>iv. the attitudes, behaviours, dress, communication styles etc., thus chalking out informal organisation</li> </ul> <ul style="list-style-type: none"> <li>a. i and ii only</li> <li>b. i, iii and iv only</li> <li>c. i, ii, iii and iv</li> <li>d. i, ii, iii</li> </ul>	1



6	<p>This promotional technique is deliberately planned and sustained effort to establish and maintain mutual understanding between an organisation and public.</p> <p>This industry grew 12% to touch 1600 crore in FY19, according to the fourth ‘State of the Industry Survey 2019’ report by the Public Relations Consultants Association of India (PRCAI). While media relations continue to be the largest service, non-media relations services now contribute 53 per cent of the industry’s revenue.</p> <p>Identify the technique</p> <p>a. Advertising</p> <p>b. Sales Promotion</p> <p>c. Personal Selling</p> <p>d. Public Relations</p>	1												
7	<p>What will be the Net Working Capital of Sukhom Ltd. from the given data?</p> <table><tr><td>Cash</td><td>Rs. 2,00,000</td></tr><tr><td>Account Receivables</td><td>Rs. 1,50,000</td></tr><tr><td>Account Payables</td><td>Rs. 65,000</td></tr><tr><td>Inventory</td><td>Rs. 3,00,000</td></tr><tr><td>Short term borrowings</td><td>Rs. 1,00,000</td></tr><tr><td>Outstanding Salaries</td><td>Rs. 50,000</td></tr></table> <p>a. Rs. 6, 50,000</p> <p>b. Rs. 2,15,000</p> <p>c. Rs. 8,65,000</p> <p>d. Rs. 4,35,000</p>	Cash	Rs. 2,00,000	Account Receivables	Rs. 1,50,000	Account Payables	Rs. 65,000	Inventory	Rs. 3,00,000	Short term borrowings	Rs. 1,00,000	Outstanding Salaries	Rs. 50,000	1
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8	<p>Ratnanjali Ayurveda introduced a new range of products on the basis of the tri doshas. The marketing department is brainstorming on the branding of the new range where the customers can identify the new range easily and at the same time it creates awareness about the type of products this range has. The name ‘AyurPrakriti’, was adopted by the company and it would be used for all the products under this range. Which type of branding is adopted by Ratnanjali Ayurveda?</p> <p>a. Individual branding</p> <p>b. Corporate branding</p> <p>c. Umbrella branding</p> <p>d. Alpha numeric branding</p>	1												



9	<p>Identify the place where transaction happens in shares or debentures subsequent to its primary offering.</p> <ol style="list-style-type: none"> <li>Primary market</li> <li>Secondary market</li> <li>Capital market</li> <li>Securities and Exchange Board of India</li> </ol>	1
10	<p>Assertion (A): The basic test of a successful entrepreneur is the identification of business opportunity in the environment.</p> <p>Reason (R): In order to be successful an entrepreneur needs to initiate steps to produce and sell goods and services to make the best use of that opportunity.</p> <ol style="list-style-type: none"> <li>Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</li> <li>Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)</li> <li>Assertion (A) is true but Reason (R) is false</li> <li>Assertion (A) is false but Reason (R) is true</li> </ol>	1
11	<p>Which among the following is NOT a method of raising the required capital in the primary market?</p> <ol style="list-style-type: none"> <li>Xma Ltd. raised additional finance from existing shareholders by offering securities to them in proportion to the shares they are holding</li> <li>Prabhat Luminous Ltd. raised funds by selling its shares mainly to the General Insurance Corporation of India and Army Group Insurance</li> <li>To increase the efficiency of the employees and reduce the labour turnover, the management of CVK ltd. made employees the shareholders and enabled them to share the profits of the company</li> <li>Sujata AI ltd. raised funds from Mr. Bansal, an affluent individual in exchange for ownership equity</li> </ol>	1
12	<p>Assertion (A): Advertising is a paid form of communication.</p> <p>Reason (R): Successful advertising makes the products or services positively known by that section of the public most likely to purchase them.</p> <ol style="list-style-type: none"> <li>Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</li> <li>Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)</li> <li>Assertion (A) is true but Reason (R) is false</li> <li>Assertion (A) is false but Reason (R) is true</li> </ol>	1



13	<p>Assertion (A): The Angel Investors were given the acronym FFF – i.e. FRIENDS, FAMILY, AND FOOLS.</p> <p>Reason (R): Angel investors are high net-worth individuals who have the knowledge, expertise, and funds that help start-ups without due diligence.</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true but Reason (R) is false</p> <p>d. Assertion (A) is false but Reason (R) is true</p>	1
14	<p>The United Nations has declared 2023 as the International Year of Millets. Many start up firms were influenced with this news and have started to create their own version using millets. One such company was 'Young You'; they created a new variety of product using millets which was targetted at the young generation. Which of the following stage of enterprise process has the company followed in the above case?</p> <p>a. Opportunity spotting by analysing the needs and problems that exist in the environment</p> <p>b. Evaluating the ideas received from different sources to find a creative solution</p> <p>c. Identifying a product or service through innovation</p> <p>d. Setting up a project and nurturing it to success</p>	1
15	<p>Farheen, also known online as Fairu, has become a well-known figure on social media. This social media phenom has a staggering 28M Instagram followers, and they support her wholeheartedly. Millions of social media users enjoy her videos and photographs because she understands how to connect with the viewers. Fairu frequently uploads photos and videos to her Instagram account to keep her followers entertained. The fact that this social media celebrity will soon appear in India's most popular reality show marks a significant turning point in her career.</p> <p>Raja an entrepreneur has been following Farheen to spot the latest trend. Which of the following trend is it?</p> <p>a. Read Trend</p> <p>b. Talk trend</p> <p>c. Watch trend</p> <p>d. Think trend</p>	1



16	<p>As a chemistry enthusiast, Athavan was always very innovative and wanted to try out new things. He had an idea of making a new stain remover which will help in removing stains very fast from clothes. He did a market research to find out the various stain removers available in the market to foresee the future of the product in the market. Which of the following step of creative process is he following?</p> <p>a. Idea germination b. Preparation c. Incubation d. Illumination</p>	1
17	<p>The finance minister of India announced in the 2023 budget that the Government has allocated Rs.16,459 crore to the IT ministry, 40% higher than last year to improve various facilities. Which of the following PESTEL factor does the above news article indicate?</p> <p>a. Political b. Economic c. Legal d. Ecological</p>	1
18	<p>Carpet weaving has been a major industry in Kashmir. Bareen wanted that this cottage industry to be known worldwide and that it gets its due importance. She along with her friends and help from the government decided to market and sell the same. She organised the required raw material and human resource for carpet weaving. Identify the element of innovation process that Bareen is performing</p> <p>a. Analytical planning b. Organising resources c. Implementation d. Commercial Application</p>	1
<b>Part B</b>		
19	<p>State any two objectives of problem identification</p> <p style="text-align: center;"><b>OR</b></p> <p>Enlist any two ways in which creative ideas can be generated.</p>	2  2
20	<p>Jai Prakash Ltd., was running into losses for the past few years. The company appointed a consultant to look into the reasons for the loss. The consultant after analysing everything framed a sales strategy which helped the sales force spend time targeting the correct customer at the right time. This helped the company to revive their profits within a few months. Explain the types involved in this strategy.</p>	2



21	<p>Pooja after finishing her catering course wanted to start her pastry shop in her home town - Jaipur. She knew that there were a lot of national and international tourists who visit the place whom she considered as her target customers. She also planned to have a centralised kitchen to make the pastries and then use vans to transport to various shops all around Jaipur. For the same, she also decided to rent a warehouse near to her centralised kitchen.</p> <p>From the above case study, identify and explain the factors which Pooja has paid attention whilst doing market assessment.</p>	2																		
22	<p>How is franchising a better option for external expansion in case of start-ups?</p> <p style="text-align: center;"><b>OR</b></p> <p>How is the channel of distribution influenced by the type of buyer?</p>	2 2																		
23	<p>An entrepreneur perceives opportunities, synthesizes the available information and analysis emerging patterns so that it can be shared and supported by all customers, partners, employees and suppliers.</p> <p>Comment on any two factors involved.</p>	2																		
24	<p>Given below is the data from the cost sheet of 'Shiv Dhaba'. Calculate the unit price per customer from the information provided.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Week</th><th>Number of people taking meals</th><th>Average amount billed (in Rs.)</th></tr> </thead> <tbody> <tr> <td>Week 1</td><td>120</td><td>150</td></tr> <tr> <td>Week 2</td><td>60</td><td>205</td></tr> <tr> <td>Week 3</td><td>70</td><td>146</td></tr> <tr> <td>Week 4</td><td>80</td><td>221</td></tr> <tr> <td>Week 5</td><td>90</td><td>240</td></tr> </tbody> </table> <p style="text-align: center;"><b>OR</b></p> <p>The quantity of jeans sold by a shop is 1,200 per month @ of ₹1100/-. The cost of placing an order and receiving goods is ₹1500/- per order. The inventory holding cost is ₹30/- per annum. What is the economic order quantity for the shopkeeper?</p>	Week	Number of people taking meals	Average amount billed (in Rs.)	Week 1	120	150	Week 2	60	205	Week 3	70	146	Week 4	80	221	Week 5	90	240	2 2
Week	Number of people taking meals	Average amount billed (in Rs.)																		
Week 1	120	150																		
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Week 3	70	146																		
Week 4	80	221																		
Week 5	90	240																		



Part C		
25	This concept is an identifying symbol for any product or business. It can be any distinctive design, mark, sign which stands associated with the enterprise. Enlist any three purpose of this concept.	3
26	What are the three most likely situations which arise before any firm while preparing the production plan?  <b>OR</b>  Enlist any three points of importance in framing the business plan.	3          3
27	Mittal Industries is into manufacturing of television sets. The company decided to introduce a new range of smart television sets which can use any mobile phone as remote control. The finance department along with the R&D department brainstormed to arrive at an optimal price for the television sets. They decided that the price be fixed based on a manufacturing estimate. Enlist the advantages of fixing price in this manner.	3
28	The production plan aims at "plan your work", whereas operations plan ensures "work your plan". In the light of the given statement, examine the relevance of a operational plan for an entrepreneur.	3
29	‘Finance is the elixir for any business’. Justify the given statement.  <b>OR</b>  In its vital role as a financial intermediary, capital markets satisfies the tastes of the savers and the need of the investors. Evaluate the given statement.	3          3
Part D		
30	What is the most essential component of mergers? Distinguish between the two forms of this component. How does this factor play a key role in deciding whether any organization should go for a merger?  <b>OR</b>  Differentiate between ‘merger’ and ‘acquisition’ as forms of external expansion. Explain the ways in which one business can acquire another.	5          5





31	The role of a venture capitalist in an organization is dependent on the stage at which an organization is being funded by the venture capitalist. Evaluate.	5																
32	<p>Explain in detail the following sources of Idea Fields:</p> <p>A. Natural resources</p> <p>B. Existing products or services</p> <p>C. Market driven ideas</p> <p>D. Trading related ideas</p> <p>E. Service related ideas</p> <p style="text-align: center;"><b>OR</b></p> <p>Explain the first five steps involved in idea and opportunity assessment.</p>	5																
33	<p>Fast Rite Ltd. manufactures a variety of stationery but its most popular product is its pen. Three varieties of pens to suit the need of its users.</p> <p>The details of the pens are given in the table below.</p> <table><tr><td>Variety</td><td>Classic Gel Pen</td><td>Executive Ball Pen</td><td>Four-in-one Ball Pen</td></tr><tr><td>Selling Price per unit (in rupees)</td><td>15</td><td>21</td><td>36</td></tr><tr><td>Variable cost per unit (in Rupees)</td><td>9</td><td>14</td><td>19</td></tr><tr><td>Sales Mix</td><td>20%</td><td>20%</td><td>60%</td></tr></table> <p>The total fixed cost is Rs. 2,56,000.</p> <p>Calculate the following from the information given above.</p> <p>i. Total weighted average contribution margin</p> <p>ii. Breakeven Quantity for each variety</p> <p>iii. Break even (in Rupees) for Four-in-one Ball Pen</p>	Variety	Classic Gel Pen	Executive Ball Pen	Four-in-one Ball Pen	Selling Price per unit (in rupees)	15	21	36	Variable cost per unit (in Rupees)	9	14	19	Sales Mix	20%	20%	60%	5
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34	Karthik is in the business of manufacturing laptop components since 2010. They have been supplying their parts to all major manufacturers. His son Harsh took over the factory in 2022. He had done his Masters in Business Administration and wanted to expand the operations of the company. He planned to start manufacturing laptops to be sold in the Indian market. He discussed the idea with his financial team. They estimated the cost of the project to be around Rs. 65 crores. They decided to take the required funds from potential investors.	5																



	<p>The financial team of the company decided to make a plan which will explain to the potential investor the ways and means of how the entrepreneur plans to meet all financial obligations.</p> <p>Explain any five components of this plan.</p>	
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**Marking Scheme (2023-24)**  
**Subject: Entrepreneurship (066)**  
**Class: XII**

<b>Part A</b>		
	<b>Answers</b>	<b>Marks</b>
1	d. Both Quantitative and Qualitative analysis	1
2	c. i and ii	1
3	c. iii and v	1
4	c. Ambient	1
5	c. i, ii, iii and iv	1
6	d. Public Relations	1
7	d. Rs. 4,35,000	1
8	c. Umbrella branding	1
9	b. Secondary market	1
10	a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
11	d. Sujata AI Ltd. raised funds from Mr. Bansal, an affluent individual in exchange for ownership equity	1
12	b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)	1
13	c. Assertion (A) is true but Reason (R) is false	1
14	c. Identifying a product or service through innovation	1
15	a. Read Trend	1
16	b. Preparation	1
17	a. Political	1
18	b. Organising resources	





	<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>(Any two)</p> <p style="text-align: center;"><b>OR</b></p> <p>Buyers can be of two types: General Buyers and Industrial Buyers.</p> <p>If more buyers of the particular product belong to general category then there will be more middlemen. The reason is that the product has to reach the ultimate customer who can be anywhere in the country and to reach them, numerous middlemen are required.</p> <p>In case of industrial buyers there will be fewer middlemen. The reason is the industry is the ultimate consumer and to reach them there is no need to have many intermediaries in between.</p>	2
23	<p>Factors involved in sensing opportunities</p> <p>1. Ability to perceive and preserve basic ideas Spotting an idea often triggers the process of sensing an opportunity. The 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.</p> <p>b) Change: A change in social, legal, technological aspects etc. leads to new opportunities to start a business.</p> <p>c) Inventions: New products or services leads to new business opportunities.</p> <p>d) Competition: Competition often results in emergence of new and better ideas that result in new business opportunities.</p> <p>e) Innovation: Creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.</p> <p>2. Ability to harness different sources of information Various sources like magazines, journals, books, seminars, trade shows, family members, customers, friends etc. help in getting information that results in evolution of basic ideas. Bringing together various sources of information and knowledge, and analyze it to the best possible extent. The analysis helps in the identification of the right opportunity to start a new business.</p> <p>3. Vision and creativity Creativity in innovating a solution and vision. The entrepreneur should be able to</p>	2



	<p>creatively identify an idea to generate a valuable solution to a problem. Once the solution is identified their vision to convert the solution into business opportunity helps them to move forward, overcoming all the obstacles. They constantly</p> <p>a) overcome adversity</p> <p>b) exercise control over the business</p> <p>c) make a significant difference.</p> <p>(Any two)</p>																													
24.	<table><tr><th>Week</th><th>Number of people taking meals</th><th>Average amount billed</th><th>Amount billed</th></tr><tr><td>Week 1</td><td>120</td><td>150</td><td>18,000</td></tr><tr><td>Week 2</td><td>60</td><td>205</td><td>12,300</td></tr><tr><td>Week 3</td><td>70</td><td>146</td><td>10,220</td></tr><tr><td>Week 4</td><td>80</td><td>221</td><td>17,680</td></tr><tr><td>Week 5</td><td>90</td><td>240</td><td>21,600</td></tr><tr><td><b>Total</b></td><td><b>420</b></td><td></td><td><b>Rs.79,800</b></td></tr></table> <p>Unit Price per customer= Total Billed Amount /Number of Customers</p> <p>= 79800/420</p> <p>= Rs. 190/ customer</p> <p style="text-align: center;"><b>OR</b></p> <p>EOQ = Q</p> $Q = \sqrt{2PD/C}$ <p>P= Rs.1500</p> <p>D= 1200 × 12 = 14,400</p> <p>C= Rs. 30</p>	Week	Number of people taking meals	Average amount billed	Amount billed	Week 1	120	150	18,000	Week 2	60	205	12,300	Week 3	70	146	10,220	Week 4	80	221	17,680	Week 5	90	240	21,600	<b>Total</b>	<b>420</b>		<b>Rs.79,800</b>	2
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2



	$Q = \sqrt{2 \times 1500 \times 14400/30}$ $= \sqrt{1440000}$ $= 1200 \text{ jeans}$	
<b>Part C</b>		
25	<p>Purpose of logo:</p> <p>Logos are a critical aspect of business marketing. As the company's major graphical representation, a logo anchors company's brand.</p> <p>2) Corporate Logo are intended to be the "Identity" of an enterprise because of displaying graphically enterprise's uniqueness.</p> <p>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.</p> <p>4) Enterprises normally resort to logos' as a short path for advertising and other marketing materials.</p> <p>5) Logos act as the key visual component of an enterprise's overall brand identify.</p> <p>(Any three)</p>	3
26	<p>The three situations are:</p> <p>a) No manufacturing involved: If the new venture does not include any manufacturing function, say it's a trading firm or a service provider, then this section will stand eliminated from the plan.</p> <p>b) Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe:</p> <p>i) Name and location of subcontractor(s)</p> <p>ii) Reasons for their selection</p> <p>iii) Cost and time involved</p> <p>iv) Any contracts that have been completed etc.</p> <p>In such cases, a clear mention of what entrepreneur intends to do himself and what he plans to get it done from outside is required.</p> <p>c) Complete Manufacturing: If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe:</p> <p>i) the physical plant layout,</p> <p>ii) the machinery and equipment required to perform the manufacturing operations,</p> <p>iii) raw materials and suppliers names, addresses, terms and conditions,</p>	3

	<p>iv) cost of manufacturing v) any future capital equipment required etc.</p> <p style="text-align: center;"><b>OR</b></p> <p>The business plan –</p> <p>a) helps in determining the viability of the venture in a designated market b) helps in providing guidance to the entrepreneur in organizing his/her planning activities as such:</p> <p>i) identifying the resources required ii) enabling obtaining of licenses if required etc. iii) working out with legal requirements as desired by the government. c) helps in satisfying the concerns, queries, and issues of each group of people interested in the venture. d) provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles. e) though not desirable, at times, 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. f) as the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution (Any three points)</p>	3
27	<p>Advantages of cost plus pricing</p> <p>1. Biggest advantage of this is that company knows exactly the amount of expenditure that has incurred on making a product and therefore they can add profit margin accordingly which helps in achieving the desired revenue for a firm. 2. It is the simplest method to decide the price for a product because one has just to add up all the cost and then add profit which you want to earn which will give the price for a product. 3. Since the company is using its own data for deciding cost which makes it easier for a company to evaluate the reasons for escalations in expenses and therefore it can take corrective action immediately.</p>	3
28	<p>It is actually a blue print prepared right in advance of actual operations —</p> <p>i) Ensuing orderly flow of materials in the manufacturing process from the beginning (raw state) to the end (the finished products) ii) Facilitating continuous production, lesser work-in-progress and minimization of wastage. iii) Co-ordinating the work of engineering, purchasing, production, selling and</p>	3





	<p>inventory management.</p> <p>iv) Describing the flow of goods / services from production point to the consumers.</p> <p>v) Introducing a proper system of quality control</p> <p>vi) Undertaking the best and most economic production policies and methods.</p> <p>(Any three points)</p>	
29	<p>a. Finance assists in the formation of new businesses and allows businesses to take advantage of opportunities to grow and expand.</p> <p>b. A business needs funds to:</p> <p>a) Promote or establish the business b) Acquire fixed assets c) Make market investigations d) Develop products e) Keep men and machines at work f) Encourage management to make progress and create value. g) Expand, diversify, improve, and grow.</p> <p>c. The significance of finance in an enterprise is like a lubricant to the process of production. Finance is the elixir for any business as nothing happens without money.</p> <p style="text-align: center;"><b>OR</b></p> <p>a) Mobilize the financial resources on a nation-wide scale.</p> <p>b) Secure the required foreign capital and know-how to promote economic growth at a faster rate.</p> <p>c) Ensure the most effective allocation of the mobilized financial resources by directing the same either to such projects which are capable of the highest yield or to the underdeveloped priority areas where there is an urgent need to promote balanced and diversified industrialization.</p> <p>The capital market satisfies the tastes of savers and the needs of investors through its various financial instruments and institutions.</p>	3
<b>Part D</b>		
30	<p>Synergy is the most essential component of mergers.</p> <p>In mergers, synergy between the participating firms determines the increase in value of the combined entity. In other words, it refers to the difference between the value of the combined firm and the value of the sum of the participants. Synergy accrues in the form of revenue enhancement and cost savings.</p> <p>a) Operating synergy: This refers to the cost savings that come through economies of scale or increased sales and profits. It leads to the overall growth of the firm.</p>	5



	<p>b) Financial synergy: This is the direct result of financial factors such as lower taxes, higher debt capacity or better use of idle cash. When a firm with accumulated losses or unabsorbed depreciation merges with a profitable firm and the combined firm can set off such losses against its profits, a financial synergy, known as tax shield, occurs.</p> <p style="text-align: center;"><b>OR</b></p> <table><tr><th>Merger</th><th>Acquisition</th></tr><tr><td>A merger is a combination of two companies into one larger company.</td><td>An acquisition is taking control of a company, leading to its takeover. It could be an acquisition of tangible assets, intangible assets, rights and other kinds of obligations.</td></tr><tr><td>All the combining companies are dissolved and only the new entity continues to operate.</td><td>Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own</td></tr></table> <p>There are four types of acquisitions:</p> <ol style="list-style-type: none"><li>1. Friendly acquisition Both the companies approve of the acquisition under friendly terms. There is no forceful acquisition and the entire process is cordial.</li><li>2. Reverse acquisition A private company takes over a public company.</li><li>3. Back flip acquisition A very rare case of acquisition in which the purchasing company becomes a subsidiary of the purchased company.</li><li>4. Hostile acquisition Here, as the name suggests, the entire process is done by force. The smaller company is either driven to such a condition that it has no option but to say yes to the acquisition to save its skin or the bigger company just buys off all its share, thereby establishing majority and hence initiating the acquisition.</li></ol>	Merger	Acquisition	A merger is a combination of two companies into one larger company.	An acquisition is taking control of a company, leading to its takeover. It could be an acquisition of tangible assets, intangible assets, rights and other kinds of obligations.	All the combining companies are dissolved and only the new entity continues to operate.	Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own	5
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All the combining companies are dissolved and only the new entity continues to operate.	Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own							
31	<p>Seed capital finance:</p> <p>It refers to the capital required by an entrepreneur for conducting research at the pre-commercialization stage. During this stage, the entrepreneur has to convince the investor (VC) why his idea/product is worthwhile. The investor will investigate the technical and economical feasibility of the idea. In some cases, there is some sort of prototype of the idea/product that is not fully developed or tested. As the risk element at this stage is very high, the investor (VC) may deny assisting if he does not see any potential in the idea.</p>	5						



	<p><b>Start-up finance:</b> If the idea/product/process is qualified for further investigation and/or investment, the process will go to the start-up stage. A business plan is presented by the entrepreneur to the VC firm. A management team is being formed to run the venture. If the company has a board of directors, a person from the VC firms will take seats on the board of directors.</p> <p><b>Second-round financing:</b> At this stage, we presume that the idea has been transformed into a product and is being produced and sold. The entrepreneur, at this stage, needs assistance from the Venture Capitalist for expansion, modernization, and diversification so that economies of scale and stability could be attained. At this time, larger funds than the other early-stage financing are required, entrepreneur should be extra careful because only if they and their management team can prove their capability of standing against the competition, only then is the VC firm interested in financing.</p>	
32	<p><b>Natural resources:</b> Ideas can be generated based on natural resources. A product or service may be desired from forest resources, agriculture, horticulture, mineral, animal husbandry, wind, sun and human resource.</p> <p><b>Existing products or services:</b> A great business idea combines skills with imagination and market demand. A business opportunity or idea often comes from everyday problems that someone solves. Successful businesses find a need and fill it by providing a service or product. Entrepreneurs who look at ways to make an existing product or service better can be as successful as those who create or invent products.</p> <p><b>Market driven ideas</b> Market research is any organized effort to gather information about target markets or customers. It is a very important component of business strategy. It is a key factor to maintain competitiveness over competitors. The research helps in creating new products in the market as per the needs of the customer.</p> <p><b>Trading related ideas</b> With increasing consumerism, the scope and nature of trade has enlarged; local trade, import and export, e-commerce are all making trading a very wide area of enterprise. With the opening of the market to International Companies, large size departmental stores, chain shops and umbrella markets have become omnipresent; competition has become intense and to survive in the market, new entrants will have to acquire skills,</p>	5



	<p>competencies and knowledge required to launch, manage and expand business opportunities.</p> <p>Service related ideas</p> <p>Entrepreneurial opportunities are not only restricted to the manufacturer. Service sector is the most growing field these days, the world over, because of the emerging knowledge in societies and advancements in Information and Technology. So, new opportunities can be identified by understanding the linkages to different business activities.</p> <p style="text-align: center;"><b>OR</b></p> <p>1. Product identification</p> <p>An idea should lead the entrepreneur to a definite product/service which he can sell. So the first step is to obtain a concept of the product or service suggested by one idea. We should also see whether this product is already available in the market or not. If it is, then we should identify the reason for introducing the same product or service in the market.</p> <p>2. Application and use</p> <p>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>3. Level of operation</p> <p>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>4. Cost</p> <p>What is the 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>5. Competition</p> <p>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>	
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Variety	Classic Gel Pen	Executive Ball Pen	Four-in-one Ball Pen
(A) Selling Price per unit	15	21	36
(B) Variable cost per unit	9	14	19
(C) Contribution A-B (in Rupees)	6	7	17
(D) Sales Mix	20%	20%	60%
Weighted contribution (C×D)	6	7	17
	<b>1.2</b>	<b>1.4</b>	<b>10.2</b>

i. Total weighted average contribution margin= Rs.12.8

(1.2+1.4+10.2)

ii. Breakeven Quantity for each variety

BEP= Total Fixed cost/ total weighted contribution

= 256000/12.8

=20,000 units

BEP for Individual

	<table border="1"> <tr> <td>Classic Gel Pen</td><td>Executive Ball Pen</td><td>Four-in-one Ball Pen</td></tr> <tr> <td><math>20000 \times 20\% = 4000</math> units</td><td><math>20000 \times 20\% = 4000</math> units</td><td><math>20000 \times 60\% = 12,000</math> units</td></tr> </table> <p>iii. Break even (in Rupees) for Four-in-one Ball Pen</p> <p>Break even quantity <math>\times</math> selling price /ball pen</p> <p><math>2000 \times \text{Rs.}36 = \text{Rs. } 72,000</math></p>	Classic Gel Pen	Executive Ball Pen	Four-in-one Ball Pen	$20000 \times 20\% = 4000$ units	$20000 \times 20\% = 4000$ units	$20000 \times 60\% = 12,000$ units	
Classic Gel Pen	Executive Ball Pen	Four-in-one Ball Pen						
$20000 \times 20\% = 4000$ units	$20000 \times 20\% = 4000$ units	$20000 \times 60\% = 12,000$ units						
34	<p>Financial Plan. Components of financial plan</p> <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. An estimate of various components of capital nature.</p> <p>B) Proforma financing decisions: In this component This section summarizes all the projected sources of funds available to the venture to raise finance from. Typically, sources of funds are: i) owners i.e. Owner's funds ii) outsiders i.e. Borrowed funds</p> <p>C) Proforma income statement The proforma income statement is the projected net profit calculated from projected revenue minus projected costs and expenses. It summarizes all the profit data during the first year of operations of the new enterprises. In preparing the proforma income statement, 'sales by month' must be calculated first, making use of forecasting techniques as the basis.</p> <p>D) Proforma cash flow Profit and cash flow are not the same, when from sales we subtract expenses, the result is profit and when from cash receipts we subtract cash payments, the resultant figure is the cash flow. Proforma cash flow reflects the projected cash available with the enterprise as a result of subtracting projected cash disbursements from projected cash</p>	5						



	<p>accumulations.</p> <p>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</p> <p>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</p> <p>Every firm wants to maximise its profits. The Breakeven point is that level of volume of production at which firm neither makes a profit nor a loss. Here, the total revenue is equal to the total cost of a firm, at the given level of capacity.</p> <p>G) Economic and social variables</p> <p>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. It's always advisable to mention in the business plan, the socio-economic benefits expected to acquire from the proposed investment.</p> <p>(Any 5 points in detail)</p>	
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