

**CBSE Class 12th ENTREPRENEURSHIP
Delhi 2016 (Set 1)**

General Instructions :

- (i) All questions are compulsory.
- (ii) Please check that this Question Paper contains 24 Questions.
- (iii) Marks for each question are indicated against it.
- (iv) Questions 1 to 5 are Very Short Answer type carrying 1 mark each.
- (v) Questions 6 to 10 are Short Answer Type questions carrying 2 marks each.
- (vi) Questions 11 to 17 are Long Answer-I Type questions carrying 3 marks each.
- (vii) Questions 18 to 21 are Long Answer-II Type questions carrying 4 marks each.
- (viii) Questions 22 to 24 are Essay Answer Type questions carrying 6 marks each.
- (ix) Answer should be brief and to the point.
- (x) Please write down the serial number of the Question before attempting it.

1. What is meant by a 'Business Opportunity'? [1]

ANS. An economic idea which can be implemented to create a business enterprise and earn profit.

2. Give the meaning of 'Hindu Undivided Family'. [1]

ANS. Joint Hindu Family is one which consists of male lineally descended from a common ancestor and included their wives and unmarried daughters.

3. Differentiate between 'Excise Duty' and Customs Duty'. [1]

ANS. Excise Duty is a tax on manufacture or production of goods whereas customs duty is a type of indirect tax levied on import and export of goods and services.

(1 mark to be awarded for the correct difference only)

4. Paranshu was working with Hitesh, a new entrepreneur, as a Production Manager. To achieve the objectives, he issues necessary orders and guidelines to his subordinates pertaining to work and to give practical shape to the production plan.

Identify and state the element being discussed above which is related to one of the components of a 'Business Plan'. [1]

ANS. Dispatching

5. Define 'Marketing Strategy'. [1]

ANS. A process that can allow an organization to concentrate its resources on the optimal opportunities with the goals of increasing sales and achieving a sustainable competitive advantage.

6. State any two points of importance of Stock - Exchange from the view point of investors. [2]

ANS. (Any two of the mentioned points)

- (i) Dissemination of useful information
- (ii) Ready Market
- (iii) Investors interests protected
- (iv) Genuine guidance about the securities listed
- (v) Barriers of distance removed
- (vi) Knowledge of profit and loss on investments

7. Explain various types of 'Brand names' available to an entrepreneur. [2]

ANS. (i) Individual brand name

(ii) Family brand name

(iii) Corporate names

(iv) Alpha - numeric names

(Brief explanation to be given for each type)

8. How is target market identified while preparing the marketing plan? State. [2]

ANS. (i) Deciding what the general market or industry entrepreneur wishes to pursue

(ii) Divide the market into small groups

(iii) Buying situations

(iv) Select segment and develop a marketing plan.

9. Jalaji an entrepreneur started a new website 'Fashionate Shirts' to sell readymade shirts. In the first year he sold 1200 shirts at the rate of 500 each. His cost of placing an order and receiving the shirts is 1000 per order. If the Economic Order Quantity is 200 shirts, find out the inventory holding cost per year. [2]

ANS. $EOQ = \frac{\sqrt{2pd}}{c}$ D = Annual demand; P = Ordering cost; C = holding cost

$$\text{Or } 200 = \sqrt{\frac{2 \times 1200 \times 100}{c}} \quad \text{Or } (200)^2 = \frac{2 \times 1200000}{c}$$

$$\text{Or } C = \frac{2400000}{40000} \text{ or Rs. } 60/-$$

10. Saurabh wants to start a new business. He is not sure of the type of business he should start. His friend suggested him to seek the help of professionals. He contacted a professional who asked Saurabh to pay a big amount for providing the reports and industry updates. Therefore he decided to search for the reports and industry updates himself. He scanned the relevant information from various national and international websites.

Identify and state the way that Saurabh is using for spotting the trend. Also state one more way which will help Saurabh in starting his business. [2]

ANS. Read Trend-Entrepreneurs scan information from a wide variety of sources.

Eg. Newspapers, trade associations etc.,

(Any one)

1. Talk Trend- they get involved in specific industry's trade association and attending both online and offline.
2. Watch Trend- making it regularly to go to places where the target customers generally hang out.
3. Think Trend- as they absorb and mull about what they have read, heard and observed, they'll start to make connections and observations that will lead to business boosting insights.

11. State the first three steps in the process of 'creativity'. [3]

ANS. (i) Idea germination- it takes place according to the interest, curiosity of the entrepreneur according to which opportunity is explored and exploited.

(ii) Preparation - the entrepreneur looks into ways through which the idea can be implemented.

(iii) Incubation- subconscious assimilation of information. It starts thinking about the idea and implementation in his subconscious mind.

(steps to be in order)

12. Explain any three features of a 'Co-operative Organisation'. [3]

ANS. Features: (Any three points)

- (i) Voluntary organization - it is an association of persons desirous of pursuing a common objective. They can come and leave the organization at their own will without any coercion
- (ii) Democratic Management- the management is vested in the hands of the managing committee elected by the members on the basis of one member-one vote
- (iii) Service Motive- the primary objective of this organization render services to its members rather than to earn profits
- (iv) Capital and returns - the capital is procured from its members in the form of share capital. A member can subscribe subject to a maximum of 10% of the share capital. Shares cannot be transferred but surrendered to the organization.
- (v) Government control- the activities are regulated by co-operative societies act and state co-operative societies act. The organizations are required to submit their annual report to registrar of co-operatives.
- (vi) Distribution of surplus - the profits are distributed among the members on the basis of goods purchased by each member of the society.

13. Rohit Shetty stated leader shoe business with his brother. Both were very excited about the new venture. With meticulous planning and a lot of hard work they were able to sell 700 pairs of shoes in the first year. But they did not earn any profit. Both were happy because they were not at loss and revenue generated was equal to the cost. Now they were moving towards earning profit in the second year.

(a) Identify the component of financial plan discussed above.

(b) By giving any four points state how this component is useful for the entrepreneur?

[3]

ANS. (a) B.E.P - Break Even Point Advantages

- (b) (i) Minimum level of output to be produced
- (ii) Effect of change in quantity of output upon the profits.
- (iii) Selling price of the product
- (iv) Profitable options in line of production.

14. Aarav, a small entrepreneur, is manufacturing portable electric iron for domestic use with the brand name 'P-IRON'. This iron is in great demand. He finds that the cost of production per unit of iron is 1,000 and he can be sell the same at 1.200 per unit. The competitors in the market are selling this type of iron at the rate of 2,000. Aarav's

objective is not to earn profit in the short -run but to capture the largest market. His expectation is that the customers will be attracted towards the new brand because of low price.

Identify the method of pricing adopted by Aarav to capture the substantial portion of the market. Also, state any two advantages of this method of pricing. [3]

ANS. Pricing method- Penetration Pricing Advantages (Any Two)

- (i) Result in fast diffusion and adoption
- (ii) Creates goodwill among the early adopters
- (iii) Creates cost control and cost reduction from the start leading to greater efficiency
- (iv) Discourages the entry of competitors, low price acts as harrier to entry
- (v) Create high stock turnover throughout the distribution channel
- (vi) Create critically important enthusiasm and support in the channel

15. Flowing information is related to sales - mix of registers having 100 pages, 200 pages and 300 pages: [3]

Register	100 pages	200 pages	300 pages
Sale price per unit	30	42	72
Variable Cost per unit	18	28	38
Sales – Mix Percentage	20%	20%	60%
Total Fixed Cost is – 80,000			

ANS.

Step 1:	100 pages	200 pages	300 pages
Sales price @ unit	30	42	72
Less: Variable Cost @ unit	18	28	38
Gross profit / Margin	12	14	34
Step 2	$12 \times 20 / 100 = 2.4$ $14 \times 20 / 100 = 2.8$ $34 \times 60 / 100 = 20.4$		
Step 3 – Weighted Average	$2.4 + 2.8 + 20.4 = 25.6 /-$		

16. 'All business plan for sales volumes and revenues, resource quantities, costs and expenses etc.'

Identify the concept involved in the above planning and state any two benefits of this type of plan. [3]

ANS. Budgeting

Benefits:

- (i) It is like a road map that can help drive - entrepreneurs in setting goals and assessing the validity of their business concepts.
- (ii) Determining how the business is performing through the years and helping identifying possible future investments.
- (iii) Business leaders can compare actual figures and catch potential business pitfalls early
- (iv) It can also be instrumental in winning over investors, convincing banks or bringing new partners

(Any two benefits)

(In case if the student has mentioned financial plan instead of budgeting 1/2 mark may be awarded)

17. Abhiraj Chaudhary is into the business of manufacturing low - cost Diesel Cars in Germany. He is earning good profits and ambitiously considering overseas expansion. He scans the environment for finding out the opportunities and threats that may influence his current and future plans. He zeros down on India as a potential place for his business expansion as Indian Government has announced favourable trade regulations. On selling the first lot of cars in India, the Indian Government noticed that the emissions from these cars were above the permissible limit. The government asked him to make necessary modifications in his cars if he wanted to continue business in India. He readily agreed to meet the emission norms set by the Indian Government.

(a) Quoting the lines from the above para identify any two environmental factors.

(b) Also, state any two values which Abiraj Chaudhary tried to communicate to the Indian Society. [3]

ANS. (Any two environmental factors)

Political - "Indian government has announced favourable trade regulations".

Ecological - "emissions from these cars were above the permissible limit".

Legal - "Ready to meet the emissions norms set by the Indian government".

Values - Sensitivity towards environment, fulfilling social responsibility, (or any other suitable value)

18. State the factors that an entrepreneur has to take into consideration while assessing the market. [4]

ANS. (i) Demand - the demand assessment will be based on the size of the target market, their preferences, tastes and other related variables.

(ii) Supply and nature competition- to study the complete picture of quantities of the product made available in the market by all the existing players.

(iii) Cost and Price of Product- to compare the cost of other available products in the market and cost variable of competitors in terms of transportation delays etc., have to be studied to spot cost advantage.

(iv) Project innovation and change- technological advancements in the field have to be studied because they may change the quality and influence the cost and price ultimately.

19. Explain any four factors to be taken into consideration while selecting channels of distribution related to a product. [4]

ANS. (i) Unit value of the product - when the product is very costly it is best to use a small distribution channel. On the other hand, for less costly products long distribution channel is used.

(ii) Standardised or customized product- these are those products which are pre-determined and there is no scope for alteration. On the other hand customized products are those which are made according to the discretion of the consumer and also there is a scope for alteration.

(iii) Perishability - a manufacturer should choose minimum or no middlemen as channel of distribution for such an item or product which is of highly perishable nature. On the contrary, a long distribution channel can be selected for durable goods.

(iv) Technical nature- if a product is of technical nature, then it is better to supply it directly to the consumer. This will help the user to know the necessary technicalities of the product.

20. Sonu and Monu completed their education from Delhi University. Sonu lived in near the University, whereas Monu had to go back to his village in Assam. Both of them wanted to start their own business. Since the Government announced ban on the use of polythene bags, an idea struck them to start a jute bag manufacturing business. Sonu thought that he would get the advantage of University area for marketing the jute bags and will earn good profits. He also had necessary funds. Therefore he started manufacturing the bags immediately. He was not having any experience of manufacturing jute bags. He also sold the bags on less margin due to tough competition.

As a result his business failed after a few years. On the other hand Monu was happy because the raw material was available to him at a very low cost in Assam and people of the village were ready to work at low wages because of less job opportunities. Not only this, before starting the business Monu had researched about the cost - structure, the market, the competitors and the strengths and weaknesses of the business. Based on the above paragraph, identify and explain any two causes of failure of Sonu's business in comparison to Monu. Also, state any two values which Monu had communicated to the society through his business. [4]

ANS. Causes of failure of Sonu's business (Any two)

- (i) Poor business Planning - a good business plan helps identify the mission, cost structure, market, external influences, strengths and weakness of a business.
- (ii) Ignoring the competition / less margin- due to tough competition he was selling his products on a less margin.
- (iii) Lack of industrial skills- lack of experience in the industry will lead to poor organization of a firm and its resources. Sonu did not have any experience in manufacturing jute bags.
- (iv) Lack of entrepreneurial skills - during the start up phase of a new business, lack of entrepreneurial skills will lead to failure. A small firm's performance outcome is a function of many variables, including individual owner characteristics, owner behavior, and environmental influences.

Values - (i) Sensitivity towards environment

(ii) Development of village

(or any other suitable value)

21. Nitin, an entrepreneur, is living in a beautiful village of Kerala. This village was famous for its natural beauty but very few people know about it. Due to this entrepreneurial inclination he always tried to find out opportunities. People of the village are very poor as they are mostly dependent on fishing. Nitin thought of starting a 'Holiday Resort' with cultural centre, restaurant and other facilities in the village. All the villagers agreed and supported Nitin for this project. They agree to co- operate to make this project a success. Nitin needed capital of 2 for this project.

(a) Name the specialized financial institution which Nitin should approach to meet his requirements.

(b) When was this institution incorporated as a public limited company and became operational?

(c) What is the main function of this institution?

(d) State any one value which Nitin wants to communicate to the society. [4]

ANS. (i) Tourism Finance corporation of India

(ii) On 21st January 1989 and became operational w.e.f 1st Feb 1989.

(iii) Main function is to provide financial assistance to enterprises for setting up or development of tourism related projects.

(iv) Value - providing job opportunities to villagers, (or any other suitable value)

22. Naveen has just completed his B.Tech. and wants to start his own business, he knew that the demand for electricity in India was increasing day by day. whereas its generation was not sufficient. Naveen shared his views with some of his friends and they all decided to start the business of electricity generation. They experimented various methods and ultimately succeeded in electricity generation through garbage. They all were happy as India is also facing the problem of garbage disposal.

(a) Identify and explain the source of 'idea-field' from where the idea had been generated by Naveen and his friends.

(b) Also explain two other sources of Idea-fields with the help of example. [6]

ANS. (a) Creative efforts

We have seen elsewhere that creativity is an important and key component of the talents and abilities needed for an entrepreneur. Apart from applying creativity to spot and harness opportunities, it can also be applied to develop new products and services. There are basically five ways in which creative ideas can be generated: 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 for an existing product or service.

(b) (Any two explained with suitable examples)

(i) Natural Resources - Natural resources 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.

(ii) Existing products or services- any 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.

(iii) Market driven or demand driven ideas- Market research yields valuable data about trends of supply, demand, consumer preferences. It is a very important component of business strategy. Market research is a key factor to maintain competitiveness over competitors. Market research provides important information to identify and analyze the market need, market size and competition.

(iv) Trading related ideas- Trade in simple terms is buying goods and services and selling them to consumers at a profit. It is however, necessary for a prospective trader to be aware of the trends in an economy. With the opening of the market to International Companies, large size departmental stores, chain shops and umbrella markets have become omnipresent.

(v) Service sector ideas -Entrepreneurial opportunities are not only restricted to the manufacturer. Service sector is the most growing field these days the world over, thanks to emerging knowledge societies and advancements in Information and Technology. So new opportunities can be identified by understanding the linkages to different business activities.
Eg. Tourism

23. 'Toto-T mobiles' is a famous brand of mobile phones. Its target customers are students and professionals who require specialized features in mobiles. This time the company developed a small sized wireless mobile charger which is more convenient to use than the regular charger. This charger is made of recycled material and consumes very less electricity.

(a) Quoting the lines from the above para identify and explain the two types of 'added value' in the business growth strategy.

(b) Also explain two more types of added value other than discussed in part (a). [6]

ANS. (i) Quality added value - "small size wireless mobile charger"

Quality added value is basically adding convenience, ease of use or other desirable characteristics that customers value. For example, turning a commodity into a branded product or design enhancements like pull tabs for easy opening or sipper tops on beverage bottles.

(ii) Environmental added value - "consumes less electricity".

Environmental added value employs methods or systems that do not harm the environment or are less harmful than those commonly used. For example, using less electricity, using less fuel and using recycled material for packaging.

Two more types

(a) Cause-related added value is a social marketing strategy where business contributes part of the revenue from a product or service to a cause. For example, a business may donate a percentage of revenue from each transaction to a cause such as an educational facility for disadvantaged children or a wildlife sanctuary.

(b) Cultural added value is also a social marketing strategy that employs methods or systems of production involving cultural aspects or allow for the needs and sensitivities of cultural groups. For example, producing kosher food (in accord with Jewish law) or using a combination of English and the language of other ethnic groups in a community in written communications.

24. Explain the steps for the development of the tool of cash management that helps an entrepreneur in knowing how much cash generation and expenditure is anticipated over a chosen period of time in future. [6]

ANS. Cash flow projection - steps involved for its development

1. Based on your business characteristics, decide on the frequency & period (day, week or month) as well as horizon (month, 13 weeks or 6 months).
2. Develop the format, with items appropriate for your business, which will be used for developing the projection. You may take help from the formats attached here as sample.
3. A projected cash Flow begins with the existing cash balance for the business. It then lists the sources of inflow and the anticipated payment dates. For example, if you supply goods on credit, you will know at the start of February that you will receive a certain amount during the month covering sales from January - based on credit terms. You may have other inflows - interest on your deposits, sale of scrap, rent from space sub-let etc. In this manner, you add up all your inflows.
4. The statement then looks at forthcoming expenditure. Some of this will be a fixed, regular sum such as staff costs. Other expenses will be known but only payable at certain times, such as taxes. There will also be variable costs such as buying stock or materials.
5. Where payment dates are variable, it is usually safest to work on the basis that you will pay suppliers as soon as possible but not receive payment from customers until the last possible date. In short, be conservative in your assumptions.
6. Adding all outflows then enables you arrive at the surplus or deficit for the period. This, when combined with the opening balance, leads to deriving the closing balance - which becomes opening balance for the next period.