

ENTREPRENEURSHIP

SAMPLE PAPER

2015-16

| S.no. | Questions | Unit/Typo | Marks |
|-------|---|-----------|-------|
| 1. | What is meant by 'mutual agency of partners'? | 1/K | 1 |
| 2. | Since her college days Mehak, loved the thrill of adventure sports. She was an avid reader which helped her to keep track of various new adventure sports taken up all around the world. She had recently read an article on increasing trend towards 'space tourism and adventurous holidays'. Using her personal experiences and her passion for adventure sports she decided to start a company called 'YOLO'. For the same purpose she also decided to collect statistics to see how much of these sports were accepted in our country. Identify the ways in which she was able to spot the trend. | 1/A | 1 |
| 3. | 'For a viable venture to be born, an entrepreneur is required to apply his knowledge, skill, competencies and creativity strategically to market'. Identify the requirement to be complied with by these factors for successful processing of an idea into opportunity. | 1/H | 1 |
| 4. | Although not mandatory, some entrepreneurs may file part I of entrepreneurs memorandum District Industries Centre. Why? | 1/U | 1 |
| 5. | What is meant by 'financial management'? | 3/K | 1 |
| 6. | Fizz & Lime is an established beverage company which started bottling Wheat Grass Juice; Bitter gourd with Jamunand Amla with Aloevera. It is planning to expand externally without compromising on the unique taste of these drinks. Belligio Juices got exclusive rights to manufacture and sell Wheat Grass and Amla Aloe under the name Fizz& Lime. Belligio Juices had to use only the ingredients supplied by Fizz& Lime to produce, bottle and distribute the two drinks. a. Identify and explain the form of external expansion adopted by Fizz& Lime. b. State any one feature of this form of expansion. | 2/A. | 2 |
| 7. | State any two factors which lead to effective employee relationship. | 2/K | 2 |
| 8. | "Human life is built around works". Identify the form of Business Organisation being talked about in the following sentences:- (a)"The one-man control is the best in the world if that man is big enough to manage everything." (b)"Two heads being better than one." (c)"Self-help as well as mutual help system." (d)The birth of this legal person is by law and can be put to death by law only.(0.5*4=2) | 1/A | 2 |
| 9. | Chacko Ltd. has been manufacturing umbrellas since 1980. They are the market leaders in manufacturing small hand size umbrellas. They have their production | 1/H | 2 |

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| | unit in Kochi. The MD's son- Abraham Chacko took over the family business in 2010. He had finished graduation from USA. Using his educational and networking skills , he was able to take up an export order. He also decided to operate an exclusive export oriented unit in Chellanam. The production work for this unit began in 2014. A dedicated team framed an operational plan for the entire process. Abraham visited the plan to evaluate and take appraisal of the work performed in the unit. State two ways as to how it will help Abraham. | | |
| 10. | Why does an entrepreneur need to scan environment? Explain. | 1/U | 2 |
| 11. | Diary foods ltd., has been well known for it's products throughout India. They started manufacturing Biscuits and chocolates in the year 1995 and slowly built their brand. The company occupied the top position in terms of sales and it increased it's product range also. By 2010 they were the undisputed leader in the field of confectionaries. Their annual general meeting was held wherein the Board of directors felt that the company should also be socially responsible in doing their business. They decided to use new technologically advanced recycled paper for all their products which would retain the freshness of their products as well as contribute towards the saving of our planet. By doing this the company has modified their goods in a particular way to create a new product of greater value to the customers. Identify the concept mentioned above and explain it from financial and marketing point of view. | 2/H. | 3 |
| 12. | Explain any three sources which lead to the emergence of basic ideas. | 1/K | 3 |
| 13. | Differentiate between Standardized product and Customized product. Which channel of distribution is best suited for customized product/goods? | 2/U. | 3 |
| 14. | Explain the following features of a cooperative society: Democratic management Capital and return thereon Distribution of surplus | 1/K | 3 |
| 15. | Aditi started a beauty parlor business. She spend Rs.30,00,000/- to open the parlor of which she invested 14,00,000/- of her own money and borrowed a loan for 16,00,000/-. Interest rate per annum is 14%. Sales revenue per month is 1,60,000/-. Cost of goods sold is 60,000/- per month. Fixed expenses for that month is 60,000/- (salary 40,000/-, rent and utility 20,000/-), depreciation 30,000/- and tax @ 15%. | 3/A | 3 |
| 16. | Ms. Rosy is a readymade garments manufacturer. Her Annual Usage rate is 225Pcs. The cost of placing each order is Rs.8/- and the carrying cost is Rs.4 per unit. Calculate the Economic Order Quantity (EOQ). How does calculating EOQ facilitate budgeting? | 3/EVM | 3 |
| 17. | Ram was very thrilled with his new job. He was placed in a small factory manufacturing door knobs as a stock keeper. After a few days, while taking stock he understood that nuts and various small parts constituted majority of the cost of production .After some time, the firm went into a loss and the owner decided to look into the various factors that could have constituted the loss. Ram | 3/H | 3 |

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| | <p>expressed his concern that inventory was not properly maintained and that there are various techniques which are involved and if followed properly the company will not be in a loss. The owner agreed to the suggestion. He also decided to take help from some specialized government institution initiate steps for technological up gradation, and modernization of existing units.</p> <p>a. What technique was suggested by Ram? Explain it.</p> <p>b. Which specialized Financial institution is the owner thinking of approaching and state any one of it's objectives?</p> | | |
| 18. | <p>Shahida, a student of School of Rug Weaving Institute, Turkey, visited her grandparents in Kashmir for the first time. Breathtaking mountain scenery, clear lakes, lush vegetation and magnificent forests mesmerized her. The valley is home to a rich biodiversity including a large number of bird species, many of which are unique to Kashmir. It is home to Yak and sheep that are taken care of by nomads. Kashmiri lifestyle is essentially slow paced and reflects religious diversity. Kashmiris are known to enjoy their music in its various local forms, and the traditional dress of both genders is often quite colorful. Tulip, Saffron, dry fruits and artistic woodwork are its hallmark.</p> <p>She also observed that the government was stable and all the tourist places were well guarded by the army.</p> <p>She found it to be an ideal place to start a unit for carpet weaving and employ local people to preserve the ethnic touch. After the devastating floods a considerable population was rendered jobless, her unit would help to revive their economic condition. She started scanning and screening the environment and collected the following information.</p> <p>a. Help her categorize the information making use of PESTEL MODEL.(Any three)</p> <p>b. Also state a value communicated by Shahida.</p> | 1/EVM | 4 |
| 19. | <p>'Floral Art and Craft' opened its first store in Mumbai in the year 2010 with the objective of providing its customers with fresh flowers creatively packed and value for money.</p> <p>It procures fresh flower directly from the farmers. The organization makes sure that the farmers adopt organic means to nourish the soil and do not use chemical fertilizers as it degrades the soil fertility.</p> <p>Packaging material is procured from specially abled crafts man of I CAN. Floral Art and Craft's face book and twitter page encourages two way communication with its customers. These social media channels provide a platform through which it can interact with customers and access their opinion about the brand. The store also uses direct e-mails to their frequent customers to inform them about different schemes and other promotional messages. Its website promotes the store by organizing different flower decorating classes and competitions using the products of I CAN.</p> <p>A. Identify the promotion strategy adopted by I CAN. Also state the lines from the text that helped to identify the form.</p> <p>B. State any two features of this type promotion strategy.</p> | 2/EVM | 4 |

| | C. State two values communicated to the society. | | | | | | | | | | | | | | |
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| 20. | Explain the factors that help an entrepreneur to identify a product. (Any 4) | 1/K | 4 | | | | | | | | | | | | |
| 21. | Why is stock exchange important for an investor? | 3/U | 4 | | | | | | | | | | | | |
| 22. | Unicon Ltd. and Nahata Communications provide Cable T.V network in adjacent areas of Delhi. After sometime the market was slowly taken over by big cable companies. Both Unicon Ltd. And Nahata communications understood the competition and decided to come together so as to increase their markets share. This strategy helped them in cost saving through economies of scale as they could cover more areas now. It led to the overall growth of both the companies. a. Identify the enterprise growth strategy adopted by the two. b. State the benefits that the companies have after this arrangement. (any 5) | 2/A. | 6 | | | | | | | | | | | | |
| 23. | <p>The School Gear Ltd. manufactures three products – Tiffin covers; Bottle covers; Pencil pouch. The variable expenses and sales prices of all these products are given below:</p> <table border="1"> <thead> <tr> <th></th> <th>Tiffin covers</th> <th>Bottle covers</th> <th>Pencil pouch</th> </tr> </thead> <tbody> <tr> <td>Sales price per unit</td> <td>Rs.200</td> <td>Rs.100</td> <td>Rs.75</td> </tr> <tr> <td>Variable cost per unit</td> <td>Rs.100</td> <td>Rs.60</td> <td>Rs.25</td> </tr> </tbody> </table> <p>The total fixed expenses of the company are Rs.55, 000 per month. For the coming month, it expects the sale of three products in the following proportions: Tiffin covers: 20% Bottle covers: 50% Pencil pouch: 30% Compute the break-even point of company in units and rupees for the coming month.</p> | | Tiffin covers | Bottle covers | Pencil pouch | Sales price per unit | Rs.200 | Rs.100 | Rs.75 | Variable cost per unit | Rs.100 | Rs.60 | Rs.25 | 3/A | 6 |
| | Tiffin covers | Bottle covers | Pencil pouch | | | | | | | | | | | | |
| Sales price per unit | Rs.200 | Rs.100 | Rs.75 | | | | | | | | | | | | |
| Variable cost per unit | Rs.100 | Rs.60 | Rs.25 | | | | | | | | | | | | |
| 24. | <p>Bunty, a fitness freak NRI, had done his masters in nutritional sciences from U.K., during his vacations, he was disappointed to see that no Gymnasium in Delhi had a workout module to suit his requirement. Anyhow, Fitness Fine Gymnasium of his friend offered him freedom to exercise the way he wanted. In short time, Bunty became popular amongst the other members because of his knowledge, experience, competency, tactics and tips on exercising.</p> <p>He now explored deeply his curiosity of starting a Gymnasium in Greater Kailash 2, having a fusion of both diet and exercise under one roof. He conducted a market research and subconsciously assimilated a whole</p> | 1/H | 6 | | | | | | | | | | | | |

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| | <p>data bank of information pertaining to lifestyle, interests, etc. of people in and around the area. He approached his father for financial help of Rs. 25 lacs as he had Rs 20 lacs only. The ground floor of his flat was to be converted into a Gymnasium. He started networking and negotiating with the manufacturers who could provide him with customized machines of his choice.</p> <p>"One of the first task demanded of an entrepreneur is to manifest creative ability through the conceiving of new product-market propositions" – Identify and explain the steps involved in this process being initiated by Bunty.</p> | | |
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2015-16
Marking Scheme

| S.no. | Expected Value Points | Unit/Typo | Marks |
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| Ans.1 | The business of partnership can be carried on by all partners or any one of them acting for all. | | |
| Ans.2 | Read Trends | | |
| Ans.3 | Strategic Positioning. | | |
| Ans.4 | This may be necessary for claiming certain incentives / subsidies and for certain formalities at the state level. | | |
| Ans.5 | The financial management is the process of procurement, allocation and control of financial resources of a concern. | | |
| Ans.6 | <p>a. Manufacturing franchise opportunity These types of franchises provide an organization with the right to manufacture a product and sell it to the public, using the franchisor's name and trademark. This type of franchise is found most often in the food and beverage industry.</p> <p>b. Franchisee must use the ingredients given by the franchisor to produce, bottle and distribute the soft drinks.</p> | | |
| Ans.7 | <p>Factors which lead to effective employee relationship</p> <p>1. Determining employee needs It is not enough to assume that a company or even its HR professionals know what is important to employees. Needs vary greatly depending on employee characteristics--age, gender, etc. as well as the type of job being performed. It is a good idea to find out directly from employees what their needs are.</p> <p>2. Balancing work and life needs That means taking steps to ensure that the employee's work-life needs are well balanced. This can occur through creative staffing that might involve part-time, flex-time or even off-site work assignments.</p> <p>3. Open and honest communication Managers must be committed to communicating regularly and honestly with employees about the issues that impact their work. The more open organizations can be, the more likely they are to establish strong relationships.</p> <p>4. Measuring and monitoring results That means that managers and their HR departments should be alert at all times for signs of discontent, which can be subjective, as well as carefully monitoring the results of more formal assessments.</p> <p>(Any Two) (1*2=2)</p> | | |
| Ans.8 | a..Sole proprietorship. b.Partnership. c.Cooperative. d.Company. | | |
| Ans.9 | <p>Follow-up element helps the entrepreneurs in:</p> <p>a) Developing ways to review the present situation with regard to materials, work-in-progress and finished goods.</p> | | |

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| | <p>b) Evolving ways to expedite the performance of those departments which lag behind.</p> <p>c) Removing obstacles in the way of production by suggesting remedial measures.</p> <p>(Any 2)</p> | | |
| Ans.10 | <p>The right information combined with the right adaptations can determine an organization future viability.</p> <p>If an entrepreneur is not aware of the environment surrounding his or her business, he/she will not succeed.</p> | | |
| Ans.11 | <p>Value addition</p> <p>Any Business can add values to goods and services by modifying them in a particular way to create a new product of greater value to customers. (1)</p> <p>Added value, from a financial point of view, represents the difference between the value of goods and services that are used as inputs to a production process and the value of the outputs of that process.</p> <p>(1)</p> <p>Added value, from a marketing perspective, means adding value that turns a commodity into a branded product. Branded products and services can also have value addition by enhancing their design, characteristics or range of features. (1)</p> | | |
| Ans.12 | <p>1. Problem</p> <p>2. Change</p> <p>3. Invention</p> <p>4. Competition</p> <p>5. Innovation</p> <p>(Any three with one line explanation)</p> | | |
| Ans.13 | <p>Standardised products are those for which the cost is predetermined and there is no scope for alteration, It requires long distribution channel</p> <p>Customized products are those which are made according to the discretion of the customer and there is a scope for alteration.</p> <p>Direct Channel of distribution is best suited for customized product/goods</p> | | |
| Ans.14 | <p>Features of Co-operative societies:</p> <ol style="list-style-type: none"> 1. Democratic management: The management of a co-operative organisation is vested in the hands of the managing committee elected by the members on the basis of 'one member-one vote'. Democracy is, thus, the keynote of the management of a co-operative society. 2. Capital and return thereon: 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 total share capital or Rs. 1,000 whichever is higher. Shares cannot be transferred but surrendered to the organisation. The rate of dividends paid to the members/ shareholders is restricted to 9% as per the Co-operative Societies Act, 1912. 3. Distribution of surplus: After giving dividends to the members, the surplus of profits, if any, is distributed among the members | | |

| | on the basis of goods purchased by each member from the society. (1*3=3) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--------------------------|--|--------|---|--|--|------------------------|--|--|--|------------|---------|--|----------|---------|--|--|--|--------------------------------------|--|--|----------|---------------|--------------------------|----------|-------------------------|-----------------------|----------|-----------------------------|--|--|-----------------|--|--|---------------|--------|--|----------------------|--------|--|------------|----------|--|-------------------------------|--------|----------|---------------------------|--|----------|----------------------------------|--|----------|-----------|----------|--|---------------------------------|--|-----------------------------------|--|--|--|--|------------------------|--|---|--|--|--|
| Ans.15 | <table border="1"> <thead> <tr> <th></th> <th></th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td colspan="3" style="text-align: center;">Total Capital Employed or Investment</td> </tr> <tr> <td colspan="3" style="text-align: center;">Source Of Funds</td> </tr> <tr> <td></td> <td>Equity = Y</td> <td>1400000</td> </tr> <tr> <td></td> <td>Loan = Z</td> <td>1600000</td> </tr> <tr> <td colspan="3" style="text-align: center;">Total Capital Employed/ Total Investment</td> </tr> <tr> <td colspan="3" style="text-align: center;">Income Statement For ONE Year</td> </tr> <tr> <td>A</td> <td>Sales Revenue</td> <td>1,60,000*12 19,20,000</td> </tr> <tr> <td>B</td> <td>Less Cost Of Goods Sold</td> <td>60,000*12 7,20,000</td> </tr> <tr> <td>C</td> <td colspan="2" style="text-align: right;">Gross Margin = (A-B)</td> </tr> <tr> <td></td> <td>Fixed Expenses:</td> <td></td> </tr> <tr> <td></td> <td>✓ Salary Etc.</td> <td>40,000</td> </tr> <tr> <td></td> <td>✓ Rent, Utility Etc.</td> <td>20,000</td> </tr> <tr> <td></td> <td>✓ Interest</td> <td>2,24,000</td> </tr> <tr> <td></td> <td>✓ Depreciation & Amortization</td> <td>30,000</td> </tr> <tr> <td>D</td> <td colspan="2" style="text-align: right;">Less: Total Fixed Expense</td> </tr> <tr> <td>E</td> <td colspan="2" style="text-align: right;">Profit Before Tax = C - D</td> </tr> <tr> <td>F</td> <td>Tax @ 15%</td> <td>1,32,900</td> </tr> <tr> <td></td> <td colspan="2" style="text-align: right;">Profit After Tax = E - F</td> </tr> <tr> <td colspan="3" style="text-align: center;">CALCULATION OF ROI AND ROE</td> </tr> <tr> <td></td> <td>ROI = $\frac{\text{Net Income or Net Profit after Tax}}{\text{Total Capital Employed or Investment}} \times 100 =$</td> <td>ROI = _____25.10_____%</td> </tr> <tr> <td></td> <td>ROI = $\frac{7,53,100}{3000000} \times 100$</td> <td></td> </tr> </tbody> </table> | | | Amount | Total Capital Employed or Investment | | | Source Of Funds | | | | Equity = Y | 1400000 | | Loan = Z | 1600000 | Total Capital Employed/ Total Investment | | | Income Statement For ONE Year | | | A | Sales Revenue | 1,60,000*12 19,20,000 | B | Less Cost Of Goods Sold | 60,000*12 7,20,000 | C | Gross Margin = (A-B) | | | Fixed Expenses: | | | ✓ Salary Etc. | 40,000 | | ✓ Rent, Utility Etc. | 20,000 | | ✓ Interest | 2,24,000 | | ✓ Depreciation & Amortization | 30,000 | D | Less: Total Fixed Expense | | E | Profit Before Tax = C - D | | F | Tax @ 15% | 1,32,900 | | Profit After Tax = E - F | | CALCULATION OF ROI AND ROE | | | | ROI = $\frac{\text{Net Income or Net Profit after Tax}}{\text{Total Capital Employed or Investment}} \times 100 =$ | ROI = _____25.10_____% | | ROI = $\frac{7,53,100}{3000000} \times 100$ | | | |
| | | Amount | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Capital Employed or Investment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Source Of Funds | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Equity = Y | 1400000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Loan = Z | 1600000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Capital Employed/ Total Investment | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Income Statement For ONE Year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A | Sales Revenue | 1,60,000*12 19,20,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B | Less Cost Of Goods Sold | 60,000*12 7,20,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| C | Gross Margin = (A-B) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Fixed Expenses: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ✓ Salary Etc. | 40,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ✓ Rent, Utility Etc. | 20,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ✓ Interest | 2,24,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ✓ Depreciation & Amortization | 30,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| D | Less: Total Fixed Expense | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| E | Profit Before Tax = C - D | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| F | Tax @ 15% | 1,32,900 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Profit After Tax = E - F | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| CALCULATION OF ROI AND ROE | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ROI = $\frac{\text{Net Income or Net Profit after Tax}}{\text{Total Capital Employed or Investment}} \times 100 =$ | ROI = _____25.10_____% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | ROI = $\frac{7,53,100}{3000000} \times 100$ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ans.16 | <p>a. $EOQ = \frac{2XPXD}{C}$ $EOQ = \frac{2 \times 225 \times 8}{4}$ $EOQ = 900$ EOQ = 30 Units</p> <p>b. EOQ denotes the ideal quantity of raw material and goods to be ordered. This leads to optimum utilization of the financial resources.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Ans.17 | <p>ABC Analysis</p> <p>a. The inventory control technique known as ABC analysis builds on Pareto's Principle. In ABC analysis, a company reviews its inventory and sorts all SKUs into three categories, called "A" ,"B" and "C" items.</p> <p>The typical breakdown might look like this: "A" inventory: 20 percent of SKUs, 80 percent of value. "B" inventory: 30 percent of SKUs, 15 percent of value. "C" inventory:50 percent of SKUs, 5 percent of value.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>A particular company's numbers may be different, but the pattern would be similar we should be able to discern a similar kind of pattern.</p> <p>b. SIDBI (Small Industries Development Bank of India) Objectives of SIDBI are: (Any one) 1) Initiate steps for technological up gradation, and/or modernization of existing units. 2) Expand channels for marketing of SSI sector products in India and abroad. 3) Promote employment – oriented industries.</p> | | |
| Ans.18 | <p>a. i. Political: The political environment includes taxation policy, government stability and foreign trade regulations. ii. Economic: The economic environment includes interest rates, inflation, business cycles, unemployment, disposable, income, energy, availability and cost. iii. Social: The social/cultural environment includes population demographics, social mobility, income distribution, lifestyle changes, attitudes to work and leisure, levels of education and consumerism. iv. Ecological: It considers the ways in which the organisation can produce its goods or services with minimum environmental damage. (Any three) b. Sharing and compassion.</p> | | |
| Ans.19 | <p>A. Below-the-line Promotion Strategy. ‘Floral Art and Craft’s face book and twitter page encourages two way communication with its customers.’ ‘These social media channels provide a platform through which it can interact with customers and access their opinion about the brand.’ ‘The store also uses direct e-mails to their frequent customers to inform them about different schemes and other promotional messages.’ ‘Its website promotes the store by organizing different flower decorating classes and competitions using the products of ‘I CAN’.</p> <p>B. i. Below-the-line methods are very specific, memorable activities focused on targeted groups of consumers. They are under the control of the organisation. ii. This strategy develops the brand by creating awareness and building a brand profile.</p> <p>C. i. Environmental concerns. ii. Concern for the society.</p> | | |
| Ans.20 | <p>The factors that help an entrepreneur to identify a product are: 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. 2. Level of operation 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</p> | | |

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| | <p>industry or a small scale–industry or a large–scale industry.</p> <p>3. Cost 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>4. Competition 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. Technical complexity 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. Annual turnover and profit margin 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>(Any Four) (1*4=4)</p> | | |
| Ans.21 | <p>Importance of stock exchange from the viewpoint of investors</p> <p>(a) 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>(b) Ready market: Persons desirous of converting their shares into cash may easily do so through a member of stock exchange.</p> <p>(c) Investors' interests protected: Stock exchanges formulate rules and regulations so that members may not exploit the investors.</p> <p>(d) Genuine guidance about the securities listed: The investors can safely depend upon the information provided by the stock exchanges.</p> <p>(e) Barriers of distance removed: Stock exchange removes the barriers of distance with regard to securities listed there. Without stock exchange the securities of a Delhi company may have a limited market in Delhi only.</p> <p>(f) Knowledge of profit or loss on investments: The investors can estimate the profit or loss on the total amount of investments in securities, by comparing the original amount invested and the price of securities on a particular day.</p> | | |
| Ans.22 | <p>a. A market extension merger takes place between two companies that deal in the same products but in separate markets. The main purpose of the market extension merger is to make sure that the merging companies</p> | | |

| | <p>can get access to a bigger market and that ensures a bigger client base.</p> <p>b. Benefits:</p> <p>1.Synergy Synergy is the most essential component of mergers. 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>2. Acquiring new technology To remain competitive, companies need to constantly upgrade their technology and business applications. To upgrade technology, a company need not always acquire technology. By buying another company with unique technology, the buying company can maintain or develop a competitive edge.</p> <p>3. Improved profitability Companies explore the possibilities of a merger when they anticipate that it will improve their profitability.</p> <p>4. Acquiring a competency Companies also opt for Merger and Acquisition to acquire a competency or capability that they do not have and which the other firm does.</p> <p>5. Entry into new markets Mergers are often looked upon as a tool for hassle-free entry into new markets. Under normal conditions, a company can enter a new market, but may have to face stiff competition from the existing companies and may have to battle out for a share in the existing market.</p> <p>6. Access to funds Often a company finds it difficult to access funds from the capital market. This weakness deprives the company of funds to pursue its growth objectives effectively. In such cases, a company may decide to merge with another company that is viewed as fund-rich.</p> <p>7. Tax benefits Mergers are also adopted to reduce tax liabilities. By merging with a loss-making entity, a company with a high tax liability can set off the accumulated losses of the target against its profits gaining tax benefits.</p> | | | | | | | | | | | | | | | | | | |
|----------------------|---|--------------|--------------|--------------|--------------|-------------------|--------|--------|-------|----------------------|--------|-------|-------|--------------|--------|-------|-------|--|--|
| Ans.23 | <p>Contribution Margin per unit for each product:</p> <table border="1" data-bbox="261 1451 1084 1591"> <thead> <tr> <th>Product</th> <th>Tiffin Cover</th> <th>Bottle Cover</th> <th>Pencil pouch</th> </tr> </thead> <tbody> <tr> <td>Sale price @ unit</td> <td>Rs.200</td> <td>Rs.100</td> <td>Rs.75</td> </tr> <tr> <td>Variable cost @ unit</td> <td>Rs.100</td> <td>Rs.60</td> <td>Rs.25</td> </tr> <tr> <td>Contribution</td> <td>Rs.100</td> <td>Rs.40</td> <td>Rs.50</td> </tr> </tbody> </table> <p>Thus Contribution Margin per unit is calculated.</p> <p>Now to calculate Weighted average Contribution Margin(CM) per unit: = Tiffin Cover CM × sales mix percentage + Bottle Cover CM × sales mix percentage + Pencil pouch CM × sales mix percentage = 100 × 20% + 40 × 50% + 50 × 30% = 20 + 20 + 15 = Rs.55.</p> | Product | Tiffin Cover | Bottle Cover | Pencil pouch | Sale price @ unit | Rs.200 | Rs.100 | Rs.75 | Variable cost @ unit | Rs.100 | Rs.60 | Rs.25 | Contribution | Rs.100 | Rs.40 | Rs.50 | | |
| Product | Tiffin Cover | Bottle Cover | Pencil pouch | | | | | | | | | | | | | | | | |
| Sale price @ unit | Rs.200 | Rs.100 | Rs.75 | | | | | | | | | | | | | | | | |
| Variable cost @ unit | Rs.100 | Rs.60 | Rs.25 | | | | | | | | | | | | | | | | |
| Contribution | Rs.100 | Rs.40 | Rs.50 | | | | | | | | | | | | | | | | |

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| | <p>Thus Weighted average CM per unit is Rs. 55</p> <p>Break-even point in Units of sales mix = $\frac{\text{Total Fixed cost}}{\text{Weighted average CM per unit}}$</p> <p>= $\frac{\text{Rs.55,000}}{\text{Rs. 55}}$ =1000 units</p> <p>Product Break-even in units</p> <p>a. Tiffin Cover- $1000 \times \frac{20}{100}$ = 200 units</p> <p>b. Bottle Cover - $1000 \times \frac{50}{100}$ = 500 units</p> <p>c. Pencil pouch - $1000 \times \frac{30}{100}$ = 300 units</p> <p>Product break-even in Rupees</p> <p>Product units at break-even point × price per unit</p> <p>a. Tiffin Cover = 200 units × Rs.200 = Rs.40,000</p> <p>b. Bottle Cover = 500 units × Rs.100 = Rs.50,000</p> <p>c. Pencil pouch = 300 units × Rs. 75= Rs.22,500</p> | | |
| Ans.24 | <p>Creativity;</p> <p>It is important to entrepreneurs because it is the first stage in the process of innovation, providing he stimulus for opportunity discovery and new venture creation.</p> <p>As from the initial acts of creativity entrepreneurs build effective organizations, it does not happen overnight thus the process of creativity Bunty underwent involved the following steps.</p> <ol style="list-style-type: none"> 1. Idea germination. “Looking at the statistics.... concern for fitness,” acted as the seeding stage for his idea of launching hi tech gymnasium. It is this stage where the entrepreneur recognizes the existing of an opportunity. Being himself fitness conscious he explored according to his inters an opportunity. 2. Preparation and Incubation.. As on the basis of the idea interest and curiosity the need is adjusted by the entrepreneur next and he starts looking for the answer to implement the idea Bunty conducted a market research in and around the target market to foresee the future of his idea. 3, Illumination. “Therefore he approached ...machines.” is the step of illumination where now Bunty is now trying to give his idea a practical shape through a viable plan by collection raw materials, arranging for funds, negotiating so as to implementing his idea. | | |