

**ENTREPRENEURSHIP**  
**SAMPLE PAPER**  
**2016-17**

**Time allowed: 3 hours**

**Maximum Marks: 70**

S. No.	Questions/ Expected Value Points	Unit/Typo	Marks
1.	Name the two things that are taken care in a reorder point?	5 (U)	1
Ans.	Lead time and Demand during lead time.		
2.	Deepak Ltd., has been manufacturing cycles since 2010. Their market share in this field is 35%. They decided to introduce new cycles with advanced gear systems in 2015. For the same they estimated their financial requirements to be ₹20 crore. They decided to raise the same through a limited number of sophisticated investors. Identify this kind of issue?	6 (App)	1
Ans.	Private placement		
3.	Rishabh lives in Vijay Nagar, a residential colony near Delhi University (DU). Being close to DU this area is a hub for students who come from outside Delhi to study here as they find good accommodation with Tiffin service readily available. Rishabh has a vacant residential building there. He found it to be an attractive economic idea to start a Paying Guest House. He knows that he has a good market because of the location of his building. State the other requirement he has to ensure before opting for this opportunity.	1(HOTS)	1
Ans.	The rate of return on the investment has to be attractive to be accepted by him.		
4.	What is meant by 'private sector enterprise'?	2/ (R)	1
Ans.	Private sector enterprises are those which are owned, controlled, and managed by private individuals, with the main objective of earning profit.		
5.	State the role of a sales person in personal selling.	3/ (R)	1
Ans.	Companies appoint salesperson to contact prospective buyers and create awareness about the company's product.		
6.	What is meant by seed capital financing? What the entrepreneur has to do to convince the investor to get money?	6 (R)	2
Ans.	It refers to the capital required by an entrepreneur for conducting research at pre commercialization stage. The entrepreneur has to convince that his idea was worthwhile to the investor.		
7.	Ragini, a career oriented mother, hardly got time to cook for the family. She decided to hire a cook but was not able to find one who could cook according to the taste of the family. Her sister Abha sensed that this problem is not only faced by her sister but also by many working women. She launched a website namely 'Dial for food' where housewives who had culinary ability and were interested to cook could drop in their contact details and households where specific cuisine was required could leave in their requirements so that through the website home cooked food could be delivered. The website mainly helped in identifying the requirement and fulfilled it through providing delivery service. Identify any two uses of problem identification to Abha.	1/App	2
Ans.	1. Bring out new products in the market 2. Increase employment generation		

	3. Understand the problems and needs of the market. (Any two)		
8.	Explain the first two elements in the innovation process?	1/U	2
Ans.	<ol style="list-style-type: none"> <li>1. Analytical planning: carefully identifying the product or service features, design as well as the resources that will be needed.</li> <li>2. Resource organization: obtaining the required resources, materials, technology, human or capital resources.</li> </ol>		
9.	<p>Sanjiv was developing a business plan for his organization. While working on the financial plan he realised that his financial requirements will be for fixed assets and their installations, preliminary expenses, working capital, expenses on research and development and investment in short-term assets viz. raw material, level of cash, etc. To decide on the sources of funds for the venture, he tried to ensure the selection of the best overall mix of financing for the enterprise.</p> <p>a. Identify the elements of financial plan discussed here.</p> <p>b. Why is it important for an entrepreneur to ensure the selection of the best overall mix of financing for the enterprise?</p>	2/App	2
Ans.	<p>a. a) Proforma investment decisions b) Proforma financing decisions</p> <p>b. The entrepreneur's job is to ensure the selection of the best overall mix of financing for the enterprise so that:</p> <p>a) the cost of capital and the financial risk stands minimized, b) return on investment and profitability stands maximized.</p>		
10.	<p>Rohan a budding musician created a lot of musical notes for his upcoming video. He was extremely thrilled to listen to his compositions. He presented his compositions to his friend Victor. The release of musical video of Rohan was getting delayed for a few months due to shortage of cash. Meanwhile Victor used most of the musical compositions of Rohan in his video.</p> <p>Rohan was extremely upset to know that his friend had cheated him and used all his work. What could have Rohan done to save his work? Identify and explain it.</p>	3/HOTS	2
Ans.	Rohan should have copyrighted his work. It gives the creator of original work exclusive rights to it, usually for a limited time.		
11.	<p>Bhushan and Vinay were pursuing Electrical Engineering from a prestigious engineering college. During their third year they developed a solar LED bulb which can be used indoors. The bulb had a small panel which had to be charged at a stretch for 10 hours in the sun and it would last for 200 hours of usage.</p> <p>The idea was risky as there was a possibility that the market might not accept such a product, but if they do so, then, there would be a revolution in the power industry as it would lead to saving of power in every household.</p> <p>The prototype was made but to manufacture and distribute the same, they required around ₹5 crores.</p> <p>Both Bhushan and Vinay approached some affluent individuals who were ready to invest in their business in exchange for a convertible debt. Identify the type of investors and state any two features of the same.</p>	6/HOTS	3
Ans.	<p>Angel Investor</p> <p>Features (Any two)</p> <ol style="list-style-type: none"> <li>1. Most angel investors are current or retired executives, business</li> </ol>		

	<p>owners or high net worth individuals who have the knowledge, expertise, and funds that help start-ups match up to industry standards.</p> <ol style="list-style-type: none"> <li>As angel investors bear extremely high risk and are usually subject to dilution from future investment rounds. They expect a very high return on investment.</li> <li>Apart from investing funds, most angels provide proactive advice, guidance, industry connections and mentoring start-ups in its early days.</li> <li>Their objective is to create great companies by providing value creation, and simultaneously helping investors realize a high return on investments.</li> <li>They have a sharp inclination to keep abreast of current developments in a particular business arena, mentoring another generation of entrepreneurs by making use of their experience.</li> </ol>																																															
12.	<p>You have started a beauty parlor business. You spent ₹5,00,000 to open the parlor of which you invested ₹3,00,000/- of your own money and borrowed a loan for ₹2,00,000. Interest rate per annum is 4%. Sales revenue per month is ₹35,000. Cost of goods sold is ₹10,000 per month. Fixed expenses per month is ₹15,000 (salary ₹7,000, rent and utility ₹ 8,000), depreciation ₹1,000/- and tax @ 8%. Calculate the Return on Equity.</p>	5/App	3																																													
Ans.	<table border="1"> <thead> <tr> <th></th> <th></th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td></td> <td><b>Source Of Funds</b></td> <td></td> </tr> <tr> <td></td> <td>Equity = Y</td> <td>3,00,000</td> </tr> <tr> <td></td> <td>Loan = Z</td> <td>2,00,000</td> </tr> <tr> <td></td> <td>Total Capital Employed/ Total Investment</td> <td>5,00,000</td> </tr> <tr> <td></td> <td><b>Income Statement For One Year</b></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>Sales Revenue (35,000 × 12)</td> <td>4,20,000</td> </tr> <tr> <td><b>B</b></td> <td>Less Cost Of Goods Sold (10,000 × 12)</td> <td>1,20,000</td> </tr> <tr> <td><b>C</b></td> <td><b>Gross Margin = (A-B)</b></td> <td>3,00,000</td> </tr> <tr> <td></td> <td>Fixed Expenses:</td> <td></td> </tr> <tr> <td></td> <td>✓ Salary Etc. (7000 × 12)</td> <td>84,000</td> </tr> <tr> <td></td> <td>✓ Rent, Utility Etc. (8000 × 12)</td> <td>96,000</td> </tr> <tr> <td></td> <td>✓ Interest (2,00,000 × 4÷100)</td> <td>8,000</td> </tr> <tr> <td></td> <td>✓ Depreciation &amp; Amortization</td> <td>1,000</td> </tr> <tr> <td><b>D</b></td> <td>Less: Total Fixed Expense</td> <td>1,89,000</td> </tr> </tbody> </table>			Amount		<b>Source Of Funds</b>			Equity = Y	3,00,000		Loan = Z	2,00,000		Total Capital Employed/ Total Investment	5,00,000		<b>Income Statement For One Year</b>		<b>A</b>	Sales Revenue (35,000 × 12)	4,20,000	<b>B</b>	Less Cost Of Goods Sold (10,000 × 12)	1,20,000	<b>C</b>	<b>Gross Margin = (A-B)</b>	3,00,000		Fixed Expenses:			✓ Salary Etc. (7000 × 12)	84,000		✓ Rent, Utility Etc. (8000 × 12)	96,000		✓ Interest (2,00,000 × 4÷100)	8,000		✓ Depreciation & Amortization	1,000	<b>D</b>	Less: Total Fixed Expense	1,89,000		1+2+3 =6
		Amount																																														
	<b>Source Of Funds</b>																																															
	Equity = Y	3,00,000																																														
	Loan = Z	2,00,000																																														
	Total Capital Employed/ Total Investment	5,00,000																																														
	<b>Income Statement For One Year</b>																																															
<b>A</b>	Sales Revenue (35,000 × 12)	4,20,000																																														
<b>B</b>	Less Cost Of Goods Sold (10,000 × 12)	1,20,000																																														
<b>C</b>	<b>Gross Margin = (A-B)</b>	3,00,000																																														
	Fixed Expenses:																																															
	✓ Salary Etc. (7000 × 12)	84,000																																														
	✓ Rent, Utility Etc. (8000 × 12)	96,000																																														
	✓ Interest (2,00,000 × 4÷100)	8,000																																														
	✓ Depreciation & Amortization	1,000																																														
<b>D</b>	Less: Total Fixed Expense	1,89,000																																														

	<i>E</i>	<i>Profit Before Tax = C - D</i>	1,11,000		
		Tax @ 8% (1,11,000 × 8÷100)	8,880		
	<i>F</i>	<i>Profit After Tax = E - F</i>	1,02,120		
		<b>CALCULATION OF ROE</b>			
		<b>Return on Equity =</b>  <b><math>\frac{\text{Net Profit after Tax} \times 100}{\text{Equity}}</math></b>  <b><math>\frac{1,02,120}{3,00,000} \times 100</math></b>	34.04 %		
13.	Explain how the following factors affect idea and opportunity assessment. a. Application and use b. Level of operation c. Competition			1/R	3
Ans.	<p><b>1. Application and use</b> 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, and then we may think of modifying it for better use. In the above mentioned example, we can clearly see that even though there are many companies manufacturing pen drives, the latest will be in consonance with the upcoming trends.</p> <p><b>2. Level of operation</b> 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><b>3. Competition</b> 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>				
14.	Sensitivity to environmental factors is crucial for an entrepreneur. With an appropriate example explain the relevance of the statement.			1/EV	3
Ans.	<p>Importance of environment: (Any three) For example, Sony failing to understand the changing trends in mobile phones and therefore losing its market share.</p> <p>The benefits of understanding the relevant environment of business are:</p> <p>i) Identification of opportunities to get first mover advantage: By keeping in touch with the changes in the external environment, an enterprise can identify opportunities and find strategies to capitalise on the opportunities at the earliest. For example, Volvo, the Swedish brand has 74% share in the luxury bus segment as it had entered India earlier.</p> <p>ii) Formulation of strategies and policies: It helps in identifying threats and opportunities in the market. These can serve as the</p>				

	<p>basis of formulation of strategies to counter threats and capitalise on opportunities in the market. For example, to understand new trends in the market.</p> <p>iii) Tapping useful resources: If the company has a thorough knowledge of the external environment, it can tap raw materials, technology and even financial resources from the market at economical prices at the right time. For example, resources or raw materials which can be obtained from different countries.</p> <p>iv) Better performance: Proper understanding of the various elements of the external environment is necessary to take timely action to deal with threats and avail opportunities for the purpose of improvement in the performance of the firm. For example, new entry of a competitor with advanced technological product.</p> <p>v) Sensitisation of entrepreneurs to cope up with rapid changes: A keen watch on the trends in environment would help to sensitise the entrepreneur to the changing technology, competition, government policies and changing needs of the customers. For example, changing trends in clothing.</p>		
15.	<p>Deepak and Gaurav joined the prestigious law university in Ahmedabad in the year 2010. During the course of study they became good friends and they both realized that their common interest lies in the field of corporate law. After completion of their degree they decided to start a firm of their own, namely ‘Corpo Law Firm’ wherein both of them will be co-owners dividing the profit and loss. After successfully running the firm for a year, they realized that there are certain rights which are denied to their firm as it is not registered.</p> <p>Explain the consequences of non-registration of their firm.</p>	2/HOTS	3
Ans.	<p>Consequences of non-registration of a partnership firm:</p> <ol style="list-style-type: none"> <li>A partner cannot file a suit in any court against the firm or other partners for the enforcement of any right arising from a contract or right conferred by the Partnership Act.</li> <li>A right arising from a contract cannot be enforced in any court by or on behalf of the firm against the third party.</li> <li>The firm or any of its partners cannot claim a set off or other proceedings in a dispute with a third party.</li> </ol>		
16.	<p>Explain any three characteristics of a company.</p>	2/R	3
Ans.	<p><b>Characteristics of a company (any three)</b></p> <p><b>1) Voluntary association</b> At least two persons, voluntarily, must join hands to form a private company, while a minimum of seven persons are required for a public company.</p> <p><b>2) Artificial person</b> A company is created by law. Though, it has no body and no conscience, it still exists as a person, having a distinct personality of its own. Because like a human being it can buy, sell and own property, sue others, be sued by others, hence called as an artificial person.</p> <p><b>3) Separate legal entity</b> A company has an independent status, different from its members. This implies that a company cannot be held liable for the actions of its members</p>		

	<p>and vice-versa. Company has a distinct entity separate from its members.</p> <p><b>4) Common seal</b> Being an artificial person, company cannot sign the documents. Hence, it uses a common seal on which its name is engraved. Putting the common seal on papers is equivalent to that of signatures of a human being, making them binding on the company.</p> <p><b>5) Limited liability</b> The liability of the shareholders of a company is normally limited to the amount of shares held or guarantee given by them.</p> <p><b>6) Transferability of shares</b> No shareholder is forever wedded to the company. Subject to certain conditions, the shares are freely transferable. The private companies do impose some restrictions on the transfer of shares.</p> <p><b>7) Diffusion of ownership and management</b> In this form of organisation, entrepreneur should clearly understand that there exists separation of ownership from management. As the shareholders could be scattered across the country, they give the right to the directors to manage the company's affairs. ( any three)</p>														
17.	Differentiate between price skimming and price penetration technique of pricing.	3/U	3												
Ans.	<table border="1"> <thead> <tr> <th></th> <th>Price Skimming</th> <th>Price Penetrating</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Goods are sold at higher prices so that fewer sales are needed to break even</td> <td>Price is initially set at a price lower than the eventual market price to attract new customers.</td> </tr> <tr> <td>2.</td> <td>It is usually employed to reimburse the cost of investment of the original cost</td> <td>It has a marketing objective of increasing market share rather than to earn profit.</td> </tr> <tr> <td>3.</td> <td>It is used to target 'early adopters' of a product or service.</td> <td>It works on the expectation that customers will switch to the new brand because of the low price.</td> </tr> </tbody> </table>		Price Skimming	Price Penetrating	1.	Goods are sold at higher prices so that fewer sales are needed to break even	Price is initially set at a price lower than the eventual market price to attract new customers.	2.	It is usually employed to reimburse the cost of investment of the original cost	It has a marketing objective of increasing market share rather than to earn profit.	3.	It is used to target 'early adopters' of a product or service.	It works on the expectation that customers will switch to the new brand because of the low price.		
	Price Skimming	Price Penetrating													
1.	Goods are sold at higher prices so that fewer sales are needed to break even	Price is initially set at a price lower than the eventual market price to attract new customers.													
2.	It is usually employed to reimburse the cost of investment of the original cost	It has a marketing objective of increasing market share rather than to earn profit.													
3.	It is used to target 'early adopters' of a product or service.	It works on the expectation that customers will switch to the new brand because of the low price.													
18.	Explain the four types of acquisition.	4 (R)	4												
Ans.	<p>There are four types of acquisitions:</p> <p><b>1. Friendly acquisition</b> Both the companies approve of the acquisition under friendly terms. There is no forceful acquisition and the entire process is cordial.</p> <p><b>2. Reverse acquisition</b> A private company takes over a public company.</p> <p><b>3. Back flip acquisition</b> A very rare case of acquisition in which the purchasing company becomes a subsidiary of the purchased company.</p> <p><b>4. Hostile acquisition</b> 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 or the bigger company just buys off all its share, thereby establishing majority and hence, initiating the acquisition.</p>														
19.	Hemant's grandfather owned a huge agricultural firm in the name of 'Organica'. The company had huge acres of land in Kerala where it grew spices. The company planned to expand and was planning to buy land in Coorg, Karnataka where it will grow coffee. While visiting the place, Hemant saw that the villagers had to walk more than 10 kms of hilly terrain to reach the hospital and he also felt that the villagers did not have	6/Value Based													

	<p>any work in the evening apart from doing agricultural work in the morning.</p> <p>For expansion purposes he required money and the chief financial officer of his company suggested that they raise the required funds directly from the public. Hemant also decided to open a hospital and a skill development centre for the villagers in the evening wherein they can learn a lot of new skills.</p> <p>Explain the method of raising funds directly from the public and the primary advantage that Hemant stands to gain from it.</p> <p>Also state any two values that he wants to spread.</p>		
Ans.	<p>Public issue- it is the most popular method of raising capital. It can be raised directly from the public through issue of prospectus. The entrepreneur is required to comply with all the restrictions and formalities pertaining to the initial issues.</p> <p>The primary advantage that an entrepreneur stands to gain is – access to capital</p> <p>Values: Teaching the villagers new skills which can lead to more means of earning money. Opening a hospital – giving accessible medical facilities</p>		(1 + 1 + 1 + 1)4
20.	<p>Kapish an unemployed graduate got training for automobile repairing and allied services under PMKVY (Pradhan Mantri Kaushal Vikas Yojana) for skill development. He is planning to start a digital workshop for which he needs ₹25 lacs. Though through MUDRA (Micro Units Development and Refinance Agency) he is able to get a loan of ₹10 lacs but still he is falling short of ₹15 lacs. He wants to pitch in his idea to potential investors through his business plan. Explain the different formats in which he can present his business plan for his start-up.</p>	2/U	4
Ans.	<p>It is common, especially for start-ups, to have four formats as follows for the same business plan.</p> <p><b>i) Elevator pitch:</b> It is a three minute summary of the business plan's executive summary. This is often used as a teaser to awaken the interest of potential funders, customers, or strategic partners.</p> <p><b>ii) A pitch deck with oral narrative :</b> A hopeful, entertaining slide show and oral narrative that is meant to trigger discussion and interest of potential investors in reading the written presentation, i.e. the executive summary and a few key graphs showing financial trends and key decision making benchmark.</p> <p><b>iii) A written presentation for external stakeholders:</b> A detailed, well written, and pleasingly formatted plan targeted at external stakeholders.</p> <p><b>iv) An internal operational plan:</b> A detailed plan describing planning details that are needed by management but may not be of interest to external stakeholders.</p>		1*4=4
21.	<p>‘Employee relationship management is a process that a company uses to effectively manage interactions with employees to achieve the goals of the organization’. In the light of the statement;</p> <p>(a.) explain any three factors that lead to effective employee relationship</p> <p>(b.) state any two values that the company may communicate when it tries</p>	3/EV	4



	to maintain healthy relationship with their employees.		
Ans.	<p>(Any Three)</p> <p>a. 1. Identifying objectives: It is important to define what is meant by employee relationship management and, specifically, what areas of the relationship will be managed. For most companies, relationship management centers around items like attracting and retaining employees. Common measures of the effectiveness of these relationships include time to hire, turnover and employee satisfaction.</p> <p>2. 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. This can be done on one-on-one conversations that take place informally throughout the year, during formal employee evaluation meetings and through surveys and polls that can provide a quantitative indication of employee needs.</p> <p>3. Balancing work and life needs: There is a widespread recognition in the 21st century that effective employee relationship management requires consideration of the whole employee. 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, flextime or even off-site work assignments.</p> <p>4. Open and honest communication: Communication is critical to establishing strong employee relationships. 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 that lead to increased loyalty and productivity among employees and decreased turnover and dissatisfaction.</p> <p>5. Measuring and monitoring results: Effective employee relationship management requires ongoing attention. 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. These results should also be shared with employees. Too often employees are asked to complete surveys and are not informed of the results--or what will be done with the results.</p> <p>6. Relationships are interpersonal: Ultimately, employee relationship management requires the same skills and processes required to manage any relationship; a clear understanding of employees' needs and a desire to meet those needs is foundational. Then steps must be taken to interact effectively with employees through a variety of communication channels, both interpersonal and formal (e.g., intranet site, employee newsletters, etc.). Finally, measurement of the effectiveness of these efforts should be frequent and ongoing, with improvements and</p>		



	adjustments made when results are not showing continual improvement or satisfactory levels of performance. b. good behavior in human interaction; sharing and compassion; fostering respect for differences (Any two)																		
22.	Sheila has a degree in robotics and she loves to design products. She started her career in 'Robotech' which uses high end technology in all their products. Her job profile included travelling a lot also. Whenever she travelled she noticed that disabled people have difficulty in maneuvering their wheelchair from one place to another because in some places ramp is not provided and there is no way they can walk up the stairs. She came up with an idea of a wheelchair which can be used on stairs easily. She decided to quit her job and start her own company. She realized that her idea was the first stage in the process of innovation. Identify the concept and explain the steps in its process.	1/HOTS	6																
Ans.	<p>Creativity</p> <p>The creative process:</p> <p>The process of creativity involves five steps: 1. Idea germination, 2. Preparation, 3. Incubation, 4. Illumination and, 5. Verification.</p> <ol style="list-style-type: none"> <li>1. Idea germination: This is the seeding stage of a new idea. It is the stage where the entrepreneur recognises that an opportunity exists. The idea germination takes place according to interest, curiosity of the entrepreneur according to which opportunity is explored and exploited to its best potential. Creative idea germinates besides the interest, the need of a specific problem or area of study.</li> <li>2. Preparation: On the basis of the idea, interest and curiosity the need is adjudged by the entrepreneur and he starts looking for the answer to implement the idea. If the idea is to launch a new product or service then market research is conducted. That happens because the seed of curiosity has taken the form of an idea. The entrepreneurs foresee the future of the product.</li> <li>3. Incubation: This is the subconscious assimilation of information. This is the transition period. The entrepreneur starts thinking about the idea and implementation in his/her sub-conscious mind.</li> <li>4. Verification: Also called the validation or testing stage. This is where the idea is verified to prove that it has value. This is the most difficult phase of creativity as obstacles begin to appear. This is the developing stage in which knowledge is developed into application.</li> <li>5. Innovation: It is the process of entrepreneurship which involves the translation of a useful idea into an application which has commercial value. It takes persistent efforts to analytically work out the details of the enterprise or service, to develop marketing strategies to organize finances and strategize operations.</li> </ol>																		
23.	<p>What is meant by break-even point? State any two assumptions of calculating break-even point for sales mix.</p> <p>Calculate the break-even point in units and in rupees for the following:</p> <table border="1"> <thead> <tr> <th>Product</th> <th>A</th> <th>B</th> <th>C</th> </tr> </thead> <tbody> <tr> <td>Sales price / unit</td> <td>`30</td> <td>`45</td> <td>`60</td> </tr> <tr> <td>Variable cost / unit</td> <td>`15</td> <td>`30</td> <td>`20</td> </tr> <tr> <td>Sales mix percentage</td> <td>30%</td> <td>30%</td> <td>40%</td> </tr> </tbody> </table>	Product	A	B	C	Sales price / unit	`30	`45	`60	Variable cost / unit	`15	`30	`20	Sales mix percentage	30%	30%	40%	Unit 5/App	6
Product	A	B	C																
Sales price / unit	`30	`45	`60																
Variable cost / unit	`15	`30	`20																
Sales mix percentage	30%	30%	40%																

	Total Fixed cost ----₹50,000																																																						
Ans.	<p>Break even point is the level of sales that equals all the expenses required for generating that revenue.</p> <p>Assumptions (Any two)</p> <ol style="list-style-type: none"> <li>The proportion of sales mix must be determined</li> <li>The sales mix must not change within the relevant time period</li> <li>All cost can be categorised as variable or fixed</li> <li>Sales price per unit, variable cost per unit and total fixed cost are constant</li> <li>All units produced are sold</li> </ol> <p>Contribution margin per unit</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">A</th> <th style="text-align: center;">B</th> <th style="text-align: center;">C</th> </tr> </thead> <tbody> <tr> <td>Sales price / unit</td> <td style="text-align: center;">30</td> <td style="text-align: center;">45</td> <td style="text-align: center;">60</td> </tr> <tr> <td>Less: Variable cost/unit</td> <td style="text-align: center;">15</td> <td style="text-align: center;">30</td> <td style="text-align: center;">20</td> </tr> <tr> <td colspan="4" style="text-align: center;">-----</td> </tr> <tr> <td>Contribution margin / unit</td> <td style="text-align: center;">15</td> <td style="text-align: center;">15</td> <td style="text-align: center;">40</td> </tr> <tr> <td>× sales mix percentage</td> <td style="text-align: center;">30%</td> <td style="text-align: center;">30%</td> <td style="text-align: center;">40%</td> </tr> <tr> <td></td> <td style="text-align: center;">₹4.5</td> <td style="text-align: center;">₹4.5</td> <td style="text-align: center;">₹16</td> </tr> </tbody> </table> <p>Weighted average CM per unit-----₹25 (4.5 + 4.5 + 16)</p> <p>Total fixed cost           ₹50,000  ÷ weighted average CM per unit           ₹25  Break-even point in units of sales mix           2000</p> <p>Break-even point in units</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Product</th> <th style="text-align: center;">A</th> <th style="text-align: center;">B</th> <th style="text-align: center;">C</th> </tr> </thead> <tbody> <tr> <td>Sales mix ratio</td> <td style="text-align: center;">30%</td> <td style="text-align: center;">30%</td> <td style="text-align: center;">40%</td> </tr> <tr> <td>× total break even units</td> <td style="text-align: center;">2000</td> <td style="text-align: center;">2000</td> <td style="text-align: center;">2000</td> </tr> <tr> <td colspan="4" style="text-align: center;">-----</td> </tr> <tr> <td>Product units at break-even</td> <td style="text-align: center;">600</td> <td style="text-align: center;">600</td> <td style="text-align: center;">800</td> </tr> <tr> <td>Break-even in rupees</td> <td style="text-align: center;">₹18000</td> <td style="text-align: center;">₹27000</td> <td style="text-align: center;">₹48000</td> </tr> </tbody> </table>		A	B	C	Sales price / unit	30	45	60	Less: Variable cost/unit	15	30	20	-----				Contribution margin / unit	15	15	40	× sales mix percentage	30%	30%	40%		₹4.5	₹4.5	₹16	Product	A	B	C	Sales mix ratio	30%	30%	40%	× total break even units	2000	2000	2000	-----				Product units at break-even	600	600	800	Break-even in rupees	₹18000	₹27000	₹48000		
	A	B	C																																																				
Sales price / unit	30	45	60																																																				
Less: Variable cost/unit	15	30	20																																																				
-----																																																							
Contribution margin / unit	15	15	40																																																				
× sales mix percentage	30%	30%	40%																																																				
	₹4.5	₹4.5	₹16																																																				
Product	A	B	C																																																				
Sales mix ratio	30%	30%	40%																																																				
× total break even units	2000	2000	2000																																																				
-----																																																							
Product units at break-even	600	600	800																																																				
Break-even in rupees	₹18000	₹27000	₹48000																																																				
24.	<p>Slurppy is a new mixed fruit juice introduced by Amit Beverages Ltd. The mixed fruit juice has been fortified using various vitamins and minerals. The company designed a unique package for the product which made it very attractive. Their sales figures were an indication of their success. In order to capture huge market share, they decided to give exclusive rights to retailers to manufacture and sell the product to the public. Identify and explain this concept. State two factors which help start – ups and also state the advantages to Amit Beverages Ltd. in doing so.</p>	4/App	6 (1 + 1 + 2 + 2)																																																				
Ans.	<p><b>Manufacturing franchise opportunity:</b> 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 mostly in the food and beverage industry. Most bottlers of soft drinks receive a franchise from a company and must use its ingredients to produce, bottle and distribute the soft drinks.</p> <p><b>How do Franchising help Start-ups: (Any two)</b></p> <ol style="list-style-type: none"> <li>Franchising helps in the working of start-ups because the product already carries a name in the market which is otherwise the most difficult</li> </ol>																																																						

to establish. That is why start-ups pay royalty to the franchisor. Franchising offers an established product that saves efforts, time and money involved and hence help start-ups.

2. It is very important that the salesman must know his product. In this case start-ups are the, salesman. Therefore, start-ups take up training to understand the product and franchisors make franchises fully conversant with the product/services that they have to offer. Franchisors charge a fee for this purpose and their motive at every step is ‘Pay and Smile.

3. Start-ups can grow rapidly without having to increase labour cost and other operating costs because generally buyers walk up to them straight away.

4. In practice, Franchises work for the benefit of franchisors. In other words, they turn one plus one in to eleven. They help each other. Franchisor’s efforts to boast his franchises are always sincere, so, there is no clash of interest.

**Advantages of franchising—to the franchisor**

1. **Quick expansion:** A franchisor can expand a business nationally and even internationally by authorizing and selling franchises in selected locations. The capital necessary for this expansion is much less than it would be without franchising. Operating a franchised business requires fewer numbers of employees than a non-franchised business. Headquarters and regional offices can be lightly staffed, primarily to support the needs of the franchisees. This allows the franchisor to maintain low payroll and minimize personnel problems.
2. **Cost advantages:** The franchisor can purchase supplies in large quantities thus, achieving economies of scale that would not have been possible otherwise. Many franchise businesses produce parts, accessories, packaging and raw materials in large quantities, and then sell these to the franchisees. One of the biggest cost advantages of franchising a business is the ability to commit larger sums of money to advertising. This pooling of resources allows the franchisor to conduct advertising in major media across a wide geographic area.

### Blue Print

Unit/Marks	1	2	3	4	6	Total Marks
Unit 1	1 (HOTS)	2 (U & App)	2 (R & EV)		1 (HOTS)	17
Unit 2	1 (R)	1 (App)	2 (R & HOTS)	1 (U)		13
Unit 3	1 (R)	1 (HOTS)	1 (U)	1 (EV)		10
Unit 4				1 (R)	1 (App)	10
Unit 5	1 (U)		1 (App)		1 (App)	10
Unit 6	1 (App)	1 (R)	1 (HOTS)	1 (Value)		10
	5	5	7	4	3	