

**Marking Scheme (2023-24)**  
**Subject: Entrepreneurship (066)**  
**Class: XII**

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

<b>Part B</b>		
19	<p>It should clearly state the problem  Identify target group facing the problem  Find the market acceptability of the solution to the problem  (Any two)</p> <p style="text-align: center;"><b>OR</b></p> <p>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 of an existing product or service.  (Any two)</p>	2       2
20	<p>1. Direct Sales Strategy: where sales people attack the competition head on when talking to the customer. They talk about each feature of the competition’s product and compare it to theirs. The term "negative selling" refers to the direct sales approach.  2. Indirect Sales Strategy: They apply more subtle techniques by demonstrating features and benefits not available with the competition’s products or services without ever mentioning them by name. This more sophisticated, positive sales strategy requires research and analysis of the competition.</p>	2
21	<p>a. Demand:  The demand assessment will be based on the size of market being targeted, i.e., local markets, market at state level or national/international market. It will also involve a study of the target groups of consumers, their preferences, tastes and other related variables.</p> <p>b. Cost and price of product:  It is important to determine the cost of the product and its comparison with available products in the market. Cost variable of competitors in terms of transportation delays, wastage, storage etc., have to be studied to spot cost advantage. This will influence the delivery mechanism of the identified product or service.</p>	2
22	<p>1. Franchising changed the working of the startups because already the product carriers a name in the market already which is the most difficult part of business to establish.</p> <p>2. Startups take up training to understand the product and franchisors make franchisees fully conversant with the product/services that they have to offer.</p>	2

	<p>3. The start-ups can grow fast without having to increase labour, operating costs and blocking running expenses because normally buyers straight walk up to them.</p> <p>(Any two)</p> <p style="text-align: center;"><b>OR</b></p> <p>Buyers can be of two types: General Buyers and Industrial Buyers.</p> <p>If more buyers of the particular product belong to general category then there will be more middlemen. The reason is that the product has to reach the ultimate customer who can be anywhere in the country and to reach them, numerous middlemen are required.</p> <p>In case of industrial buyers there will be fewer middlemen. The reason is the industry is the ultimate consumer and to reach them there is no need to have many intermediaries in between.</p>	2
23	<p>Factors involved in sensing opportunities</p> <p>1. Ability to perceive and preserve basic ideas Spotting an idea often triggers the process of sensing an opportunity. The following are the various sources which lead to the emergence of basic ideas.</p> <p>a) Problems: When a problem exists, an idea leads to a solution to resolve that problem, it emerges as a business opportunity.</p> <p>b) Change: A change in social, legal, technological aspects etc. leads to new opportunities to start a business.</p> <p>c) Inventions: New products or services leads to new business opportunities.</p> <p>d) Competition: Competition often results in emergence of new and better ideas that result in new business opportunities.</p> <p>e) Innovation: Creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.</p> <p>2. Ability to harness different sources of information Various sources like magazines, journals, books, seminars, trade shows, family members, customers, friends etc. help in getting information that results in evolution of basic ideas. Bringing together various sources of information and knowledge, and analyze it to the best possible extent. The analysis helps in the identification of the right opportunity to start a new business.</p> <p>3. Vision and creativity Creativity in innovating a solution and vision. The entrepreneur should be able to</p>	2

creatively identify an idea to generate a valuable solution to a problem. Once the solution is identified their vision to convert the solution into business opportunity helps them to move forward, overcoming all the obstacles. They constantly

- a) overcome adversity
- b) exercise control over the business
- c) make a significant difference.

(Any two)

24.

Week	Number of people taking meals	Average amount billed	Amount billed
Week 1	120	150	18,000
Week 2	60	205	12,300
Week 3	70	146	10,220
Week 4	80	221	17,680
Week 5	90	240	21,600
<b>Total</b>	<b>420</b>		<b>Rs.79,800</b>

Unit Price per customer= Total Billed Amount /Number of Customers  
 = 79800/420  
 = Rs. 190/ customer

**OR**

EOQ = Q

$$Q = \sqrt{2PD/C}$$

P= Rs.1500

D= 1200 × 12 = 14,400

C= Rs. 30

2

2

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

	<p>iv) cost of manufacturing v) any future capital equipment required etc.</p> <p style="text-align: center;"><b>OR</b></p> <p>The business plan –</p> <p>a) helps in determining the viability of the venture in a designated market b) helps in providing guidance to the entrepreneur in organizing his/her planning activities as such:</p> <p>i) identifying the resources required ii) enabling obtaining of licenses if required etc. iii) working out with legal requirements as desired by the government. c) helps in satisfying the concerns, queries, and issues of each group of people interested in the venture. d) provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles. e) though not desirable, at times, business plan helps to realize the obstacles which cannot be avoided or overcome, suggesting to terminate the venture while still on paper without investing further time and money. f) as the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution (Any three points)</p>	3
27	<p>Advantages of cost plus pricing</p> <p>1. Biggest advantage of this is that company knows exactly the amount of expenditure that has incurred on making a product and therefore they can add profit margin accordingly which helps in achieving the desired revenue for a firm. 2. It is the simplest method to decide the price for a product because one has just to add up all the cost and then add profit which you want to earn which will give the price for a product. 3. Since the company is using its own data for deciding cost which makes it easier for a company to evaluate the reasons for escalations in expenses and therefore it can take corrective action immediately.</p>	3
28	<p>It is actually a blue print prepared right in advance of actual operations —</p> <p>i) Ensuing orderly flow of materials in the manufacturing process from the beginning (raw state) to the end (the finished products) ii) Facilitating continuous production, lesser work-in-progress and minimization of wastage. iii) Co-ordinating the work of engineering, purchasing, production, selling and</p>	3

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

b) Financial synergy: This is the direct result of financial factors such as lower taxes, higher debt capacity or better use of idle cash. When a firm with accumulated losses or unabsorbed depreciation merges with a profitable firm and the combined firm can set off such losses against its profits, a financial synergy, known as tax shield, occurs.

**OR**

Merger	Acquisition
A merger is a combination of two companies into one larger company.	An acquisition is taking control of a company, leading to its takeover. It could be an acquisition of tangible assets, intangible assets, rights and other kinds of obligations.
All the combining companies are dissolved and only the new entity continues to operate.	Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own

5

There are four types of acquisitions:

1. Friendly acquisition Both the companies approve of the acquisition under friendly terms. There is no forceful acquisition and the entire process is cordial.
2. Reverse acquisition A private company takes over a public company.
3. Back flip acquisition A very rare case of acquisition in which the purchasing company becomes a subsidiary of the purchased company.
4. Hostile acquisition Here, as the name suggests, the entire process is done by force. The smaller company is either driven to such a condition that it has no option but to say yes to the acquisition to save its skin or the bigger company just buys off all its share, thereby establishing majority and hence initiating the acquisition.

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Seed capital finance:  
It refers to the capital required by an entrepreneur for conducting research at the pre-commercialization stage. During this stage, the entrepreneur has to convince the investor (VC) why his idea/product is worthwhile. The investor will investigate the technical and economical feasibility of the idea. In some cases, there is some sort of prototype of the idea/product that is not fully developed or tested. As the risk element at this stage is very high, the investor (VC) may deny assisting if he does not see any potential in the idea.

5



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

competencies and knowledge required to launch, manage and expand business opportunities.

#### Service related ideas

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

### OR

#### 1. Product identification

An idea should lead the entrepreneur to a definite product/service which he can sell. So the first step is to obtain a concept of the product or service suggested by one idea. We should also see whether this product is already available in the market or not. If it is, then we should identify the reason for introducing the same product or service in the market.

#### 2. 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.

#### 3. 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 industry or a small scale–industry or a large–scale industry.

#### 4. 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.

#### 5. 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.

Variety	Classic Gel Pen	Executive Ball Pen	Four-in-one Ball Pen
(A) Selling Price per unit	15	21	36
(B) Variable cost per unit	9	14	19
(C) Contribution A-B (in Rupees)	6	7	17
(D) Sales Mix	20%	20%	60%
Weighted contribution (C× D)	6	7	17
	<b>1.2</b>	<b>1.4</b>	<b>10.2</b>

i. Total weighted average contribution margin= Rs.12.8

(1.2+1.4+10.2)

ii. Breakeven Quantity for each variety

BEP= Total Fixed cost/ total weighted contribution

= 256000/12.8

=20,000 units

BEP for Individual

Classic Gel Pen	Executive Ball Pen	Four-in-one Ball Pen
$20000 \times 20\% = 4000$ units	$20000 \times 20\% = 4000$ units	$20000 \times 60\% = 12,000$ units

iii. Break even (in Rupees) for Four-in-one Ball Pen

Break even quantity  $\times$  selling price /ball pen

$$2000 \times \text{Rs.}36 = \text{Rs. } 72,000$$

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Financial Plan. Components of financial plan

5

A) Proforma investment decisions:

This part of financial plan relates to how the enterprise's funds are invested in different assets so that the enterprise is able to earn the highest possible returns on investment. An estimate of various components of capital nature.

B) Proforma financing decisions:

In this component This section summarizes all the projected sources of funds available to the venture to raise finance from.

Typically, sources of funds are:

- i) owners i.e. Owner's funds
- ii) outsiders i.e. Borrowed funds

C) Proforma income statement

The proforma income statement is the projected net profit calculated from projected revenue minus projected costs and expenses. It summarizes all the profit data during the first year of operations of the new enterprises.

In preparing the proforma income statement, 'sales by month' must be calculated first, making use of forecasting techniques as the basis.

D) Proforma cash flow

Profit and cash flow are not the same, when from sales we subtract expenses, the result is profit and when from cash receipts we subtract cash payments, the resultant figure is the cash flow. Proforma cash flow reflects the projected cash available with the enterprise as a result of subtracting projected cash disbursements from projected cash

accumulations.

Cash flows only when actual payments are received or made. Mere sale which might be on credit, will not generate cash.

E) Proforma balance sheet

This document helps the enterprise to reflect the position of the business at the end of its first year. A summary of the projected assets, liabilities and net worth of the entrepreneur is depicted through proforma balance sheet.

F) Break-even point

Every firm wants to maximise its profits. The Breakeven point is that level of volume of production at which firm neither makes a profit nor a loss. Here, the total revenue is equal to the total cost of a firm, at the given level of capacity.

G) Economic and social variables

In view of the social responsibility of business, the abatement costs, i.e. the cost of controlling the environmental damage should also be stated in the plan. It's always advisable to mention in the business plan, the socio-economic benefits expected to acquire from the proposed investment.

(Any 5 points in detail)