

SAMPLE QUESTION PAPER
ENTREPRENEURSHIP
CLASS-XII
2014-15

1. Differentiate between a private company and a public company on the basis of minimum and maximum number of members required? 1
2. What is 'Value Added Tax'(VAT)? 1
3. List any two factors included in 'micro environment'? 1
4. Hina, was manufacturing beauty products and was always on the lookout to improvise her products. . She used social media and online surveys to understand the latest trend in customer needs and overall in the cosmetics industry. . Through the surveys, she understood that the customers prefer natural ingredients like multani mitti or neem in place of chemicals in the beauty products.
Responding to the customers' needs, she developed a 'MultaniMitti cum neem face pack' in an attractive package. It was highly priced as she knew that the customers will be ready to pay the price for the quality. Her face pack was an instant success.

Identify the 'Way' in which Hina spotted this trend. 1

5. Ram Prasad, a cotton grower from Bihar, wants to start a cottage industry for weaving cotton into handloom. Which specialized financial institution should he approach to meet the credit requirements of his industry. 1
6. Explain any two components of 'Brand' with example. 2
7. Give the meaning of 'routing' and 'scheduling' as elements of operational plan. 2
8. Sandeep had started his business of dairy products in 2013. He wanted to expand his business but did not have the necessary funds. One of his friends suggested that he should approach Mr. Goel, a venture capitalist for further funds. When Sandeep approached Mr.Goel, he was given three minutes for explaining his business proposition.
Identify and explain the format of business plan referred in the above para. 2
9. Hema Enterprises is dealing in Health Drinks. The enterprise has been manufacturing 'Mother's Choice' a malt based health drink. Adapting to the latest market trends she decided to bring out an improved form of fortified health drink with vitamin B-12, iron and minerals to increase immunity. She believed that by modifying the product she will be able to create a new product. Identify the concept and define it. 2
10. Vikram, a new generation high tech farmer is involved in organic farming. He realized that there was a huge market for his fruits and vegetables as people have become diet conscious and prefer to eat healthy food. Keeping this in mind, he decided to open 'Salad bars and organic fruit juice corners' in prominent malls in Delhi.

Now he needed a 'road map' for himself to start the venture.

(a) Identify the term used for 'road map' by Vikram

- (b) Why this road map is required? 2
11. State the steps in the 'Creative Process' after the 'stage of preparation'? 3
12. Deepika wanted to pitch in to reduce the financial crisis prevailing in her house and thought of working as a cook. She started working in three different households, one Punjabi, One Gujrati and one South Indian family. She soon realized that all the three households had different cuisine. It was indeed a challenge for her to learn the techniques of the cuisine. All the families greatly appreciated the timeframe within which she had mastered the local cuisine. After working for them for a year, she decides to open a small eating joint of her own along with two of her friends by the name 'Apna Bhoj'. They decided to share profits equally and that each of them will be liable for acts performed by the other two. Soon the eatery became a hot spot because of the fusion platter which was being offered.
- (a) Identify the kind of business organisation which was set up by Deepika and her friends.
- (b) Quoting the lines from the paragraph, state the features of this form of business organization. 3
13. State the three rules for goal setting. 3
14. 'Public issue is the most popular method of raising capital by an entrepreneur'. Explain the method and any two advantages of it. 3
15. A stationery shop sells - 30,000 pens per year. Purchase cost is Rs. 2 per pen; Holding cost is - 20% of the purchase cost; Ordering cost is Rs.15.
Calculate the EOQ from the following details for the stationery shop. 3
16. Mr. Raghav retired as CEO of a well reputed IT company after having worked for 40 years in USA. He returned to India with a desire to encourage entrepreneurial ventures in IT sector. He was approached by Nitin, a budding entrepreneur in IT sector whose venture was in a start-up stage and was falling short of funds. Apart from investing funds, Mr. Raghav also provided proactive advice, guidance and industry connection and thus, simultaneously helping them in raising high returns on investment.
Identify and explain the source of raising finance used by Nitin. 3
17. 'Unique Motors Ltd.' was a car dealer. It took over a car manufacturing plant 'Speedcart & Co.' and started a new business in the name of 'Uniqucart Ltd.' to synergise and capture a major share of the market. Like their competitors, they decided to sell their cars through company appointed dealers (retailers) in various parts of the country. This would relieve the company from the burden of selling the cars while at the same time giving them control over the distribution process.
- (a) Name and explain the 'Enterprise Growth Strategy'.
- (b) Identify the channel of distribution used by 'Uniqucart Ltd.' 3
18. State the elements of 'Innovation Process'? 4
19. Shiela after graduating from college went back to her home town in Meghalaya. It was a small town with very few job opportunities. The Karbi tribal women in that area were uneducated but still practiced the method of obtaining traditional colors from natural wild herbs. Their most popular dye was indigo obtained from the leave called 'sibu'. Using these colors they added variety to their textiles. The women were mainly confined to their homes and they did not know how to make a living out of their talent. Shiela went from door to door

analysed the problem that existed. She thought of setting up a voluntary association of rural women who would be able to join and leave the organisation at their own will without any coercion or intimidation.

(a) Name the process which helped Shiela in converting an idea into an opportunity.

(b) Identify the kind of organisation that Shiela has decided to set up.

(c) State any two values which Shiela wants to communicate to the society. 4

20. A grocery store sold in a day different quantity for different products at the prices indicated against them:

| Products | Price per unit (Rs.) | Quantity sold |
|---------------|----------------------|---------------|
| Dal | 40/ kg | 35 (Kgs.) |
| Chilli Powder | 40/kg | 10 (Kgs) |
| Salt | 5/packet | 5(packet) |
| Chips | 15/ packet | 10(packet) |
| Juice pack | 5/packet | 5(packet) |

The shopkeeper also found out, based on the number of bills issued by him, that there were 50 customers.

If customer is the unit of sale, what is the 'Unit Price' in the above case? If the cost of each grocery item is 75% of its selling price, calculate the 'Unit Cost' and the 'Gross Margin' per unit of sale. 4

21. Naresh had an ice cream factory and was selling them locally. He has been doing good business for the past ten years. But with the entry of competitors, his business declined and he had to close down his business. Since he was an enterprising person, he decided to take up exclusive distribution of a popular international brand of ice-creams called 'Icecone'. In return, he had to pay royalties to 'Icecone' and conform to their standardised operating procedures. Instead of the plastic cups which cause environmental hazards, 'Icecone' had biscuit cups and cones. To boost immediate sales, he decided to make an offer of 'Buy two cups/cones for the price of one' for the first ten days.

(a) Identify and state the concepts of 'Enterprise Marketing and Growth Strategies' discussed in the above para.

(b) Identify any one value which the business wants to communicate to the society. 4

22. Disha, a graduate of Horticulture from Kurushetra University came across a barren land near Solan when she visited this place. Disha was fond of strawberries and was inquisitive to understand the reason why strawberries could not be grown there. She was informed by the local authorities that the land was infertile for raising strawberries. She took this as a challenge and believed in its success. Best quality strawberries now mark the beauty of that barren piece of land.

(a) Identify and explain the 'idea field' from where the idea has been generated.

(b) Also explain and give one example each for four other idea fields which may generate useful product ideas. 6

23. The United company manufactures three products – Lipsticks; Eyeliners ;Nailpaints. The variable expenses and sales prices of all these products are given below:

| | Lipsticks | Eyeliners | Nailpaints |
|------------------------|-----------|-----------|------------|
| Sales price per unit | ₹200 | ₹100 | ₹50 |
| Variable cost per unit | ₹100 | ₹75 | ₹25 |

The total fixed expenses of the company are ₹50,000 per month. For the coming month, it expects the sale of three products in the following ratio:
 Product X: 20%;
 Product Y: 50%;
 Product Z: 70%

Compute the break-even point of company in units and rupees for the coming month. 6

24. Pureminds Ltd was a company into manufacturing of water purifiers, water dispensers, packaged drinking water and hand sanitizers. They do a lot of research and development and would update their products on a regular basis. They also encouraged feedback and suggestions from the customers.

Acting on one such suggestion, they decided to manufacture a water bottle with a built in water purifier called 'Wonderpure'. They spent a lot of money on promoting the product with the tagline 'Your child is secure with Wonderpure'. The target segment was- quality conscious consumers. It was priced in such a way that the cost of investment of the original research gets recovered from the customer. The product was an instant hit. 6

(a) Identify and explain the pricing strategy to be used by Pureminds Ltd.

(b) State two advantages and two disadvantages of the pricing strategy identified in part.

**MARKING SCHEME
ENTREPRENEURSHIP
CLASS-XII (2014-2015)**

1. A private company has a minimum of two and a maximum of 50 members excluding its past and present employees.

A public company has minimum seven people to commence it with no upper limit to membership.
2. VAT is a multi-point destination based system of taxation, with tax being levied on value addition at each stage of transaction in the production/ distribution chain.

VAT is a tax on the final consumption of goods or services and is ultimately borne by the consumer.
3.
 - a. Suppliers
 - b. Customers
 - c. Intermediaries
 - d. Competitors
 - e. General public
(Any two from the above)
4. Think Trends
5. NABARD
6.
 - a. Brand Name: That part of a brand which can be vocalized. Eg., Mercedes, McDonald
 - b. Brand Mark: That part of a brand which can be recognised but not vocalized. Eg., girl of “AMUL”
 - c. Trade Mark: That part of brand that is given legal protection against its use by other firms. Eg., TM used by brands
(Any two)
7. **Routing:** Routing is a process concerned with determining exact route or path a product/ service has to follow right from raw material till its transformation into finished product.

Scheduling: Scheduling, simply means fixation of time, day, date when each operation is to be commenced and completed. In general, it's the determination of the time that should be required to perform each operation.
8. **Elevator pitch;**

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.

9. Value Addition; Businesses add value to goods and services by modifying them in a particular way to create a new product of greater value to customers.
10. (a) Business Plan
- (b) Importance of the Business Plan: The business plan is valuable to the entrepreneur, potential investors, venture capitalists, Banks, Financial institutions, new personnel like- suppliers, customers, advisors and others who are trying to familiarize themselves with the venture, its goals, and objectives.
11. **Incubation:** This is the subconscious assimilation of information. This is the transition period. The entrepreneur starts thinking about the idea and implementation in his subconscious mind.
- Illumination:** In this period of illumination the idea re-surfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy making for implementation of idea.
- 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.
12. (a)Partnership
- (b) 'They decided to share profits equally and that each of them will be liable for acts performed by the other two'. The features of Partnership are:
- Profit Sharing either equally or in said ratio .
 - Mutual Agency principle followed
13. a. Business goals need to be relevant
- b. Business goals need to be actionable
- c. Business goals need to be achievable stretches
14. This method involves raising of funds directly from the public through issue of prospectus.
- Advantages: a. access to capital; b. Mergers and acquisitions; c. higher valuations; d. benchmark trading price; e. capital formation; f. incentives; g. reduced business requirements; h. less dilution; i. liquidity; j. prestige. (Any two)
15. Economic Ordering Quantity = $\sqrt{\frac{2 \times \text{annual usage} \times \text{ordering cost per unit}}{\text{Carrying cost per unit}}}$

Thus as : annual usage = 30,000

Order cost = Rs. 15

Annual carrying cost of 1 unit = 20% of inventory value .i.e.

$$\frac{2 \times 20}{100} = 0.4$$

$$EOQ = \frac{\sqrt{2 \times 30000 \times 15}}{0.4} = 1500 \text{ Units}$$

16. Angel Investor; Business angel or angel investor, is an affluent individual who provides capital for a business start-up and early stage companies having a high-risk, high-return matrix usually in exchange for a convertible debt or ownership equity.
17. a. Merger- it is a combination of two companies into one larger company. The acquiring company takes over the assets and liabilities of the merged company. All the combining companies are dissolved and only the new entity continues to operate.
b. Indirect – One level- it involves one middleman called ‘retailer’.
18. **Analytical planning** – Carefully identifying the product or service features, design as well as the resources that will be needed.
Resource organization – Obtaining the required resources, materials, technology, human or capital resources.
Implementation – Applying the resources in order to accomplish the plans and delivering results.
Commercial application – The provision of value to customers, reward employees, and satisfy the stake holders.
19. a. Sensing entrepreneurial opportunities
b. Co-operative Organisation
c. Empowerment to women; sustenance of traditional craftwork

20. Unit Price = $\frac{\text{Total Billed Amount}}{\text{Number of customers}}$

$$\frac{(\text{₹}40 \times 35 + \text{₹}40 \times 10 + \text{₹}5 \times 5 + \text{₹}15 \times 10 + \text{₹}5 \times 5)}{50} = \text{₹}40$$

Therefore Unit price per customer is = ₹ 40.

$$\text{Unit cost} = \frac{\text{₹}40 \times 75}{100} = \text{₹}30$$

Therefore Unit cost is = ₹ 30

Gross Margin= Unit price- Unit cost = ₹40- ₹30 = ₹10

21. a. Franchising- It is an arrangement whereby the manufacturer or sole distributor of a trademarked product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties and conformance to standard operating procedures.
- b. Environmental protection
22. a. Natural resources- ideas can be generated on the basis of natural resources.
- b. i. existing products or services- a great business idea combines skills with imagination and market demand. Eg., Improved packaging in chips to retain freshness
- ii. market driven or demand driven- one important method for generating ideas is to carry out market research. It is an organized manner to gather information about target markets and help to understand the latest trends. Eg., need for smart phones
- iii. Trading related- trading these days are not confined to ordinary grocer or distributor outlets. Eg., Flipkart
- iv. Service sector- service sector is growing worldwide due to advancements in information and technology. Eg. Career counselling centers
- v. creative efforts- apart from applying creativity to spot and harness opportunities, it can also be developed to develop new products and services. Eg., Flat screen tv
23. Contribution Margin per unit for each product:

| Product | Lipsticks | Eyeliners | Nailpaints |
|----------------------|-----------|-----------|------------|
| Sale price @ unit | ₹200 | ₹100 | ₹50 |
| Variable cost @ unit | ₹100 | ₹75 | ₹25 |
| Contribution | ₹100 | ₹25 | ₹25 |

Thus Contribution Margin per unit is calculated.

Now to calculate Weighted average Contribution Margin(CM) per unit

Lipstick CM × sales mix percentage + Eyeliners CM × sales mix percentage + Nailpaints CM × sales mix percentage

$$100 \times 20\% + 25 \times 50\% + 25 \times 70\% = 20 + 12.5 + 17.5 = ₹50.$$

Thus Weighted average CM per unit is ₹ 50.

Break-even point in Units of sales mix = Total Fixed cost/Weighted average CM per unit

$$= \frac{₹50,000}{₹50} = ₹1000$$

₹ 50

Product Break-even in units

- a) Lipsticks- $\frac{1000 \times 20}{100} = 200$ units
 b) Eyeliner- $\frac{1000 \times 50}{100} = 500$ units
 c) Nail Polish- $\frac{1000 \times 70}{100} = 700$ units

Product break-even in Rupees

Product units at break-even point \times price per unit

- a. Lipstick = 200 units \times ₹200 = ₹40,000
 b. Eyeliner = 500 units \times ₹100 = ₹50,000

Nail polish = 700 units \times ₹ 50 = ₹35,000

24. a. Price Skimming- in this pricing technique the company charges a higher price for their products so that the initial cost spent on research and development can be recovered.

b. advantages- helps in recovering research and development costs; catering to quality conscious customers

disadvantages- the product will not sell if competitors introduce similar products at a lesser price; it is not a viable option if there are strict legal and government regulations; if the company has a history of introducing products on the skimming method, customers will not be interested to buy as they are aware that the price would eventually come down. (Any two).