

MARKING SCHEME (2019-2020)
ENTREPRENEURSHIP
CLASS XII

Time 3 Hrs

Max Marks: 70

General instructions:

- The Question Paper is divided into 5 parts. There is no overall choice, though internal choice is given in selected sections.
- Section A has 17 objective questions carrying 1 mark each.
- Section B has 7 questions carrying 2 marks each. Answer may be within 50 to 75 words.
- Section C has 5 questions carrying 3 marks each. Answers may be about 100 words.
- Section D has 3 questions carrying 4 marks each. Answers may be about 150 words.
- Section E has 2 questions carrying 6 marks each. Answers may be about 200 words.

	<u>Section A</u>	
	Fill in the blank:	
Q1.	Prabhav is a budding entrepreneur who is about to pitch in his idea to a group of investors. For presenting his business plan he has made a teaser of about three minutes to awaken the interest of the potential investors. Prabhav is using _____ format of presenting a business plan. Ans. Elevator's Pitch	1
Q2.	The only reward the Initial Public Offer investors seek is _____ of their investment. Ans. Capital appreciation.	1
Q3.	North west Airlines started their operations from India to various parts of the country in the year 2015. The company had been successful in it's operations as more people preferred to travel by air due to change in the lifestyle and attitude towards work and leisure. It is _____ factor as per PESTEL model. Ans: Social	1
Q4.	In April, 1998 the ----- was constituted as the regulator of capital markets in India under a resolution of the Government of India. Ans: Securities and Exchange Board of India (SEBI)	1
Q5.	_____ is the first stage in the process of innovation. Ans: Creativity	1
Q6.	After assuming the future demand, every company needs to determine when to	1

	place an order for stock and how much to order. This can be calculated by using the _____ formula. Ans: Reorder Or Gross profit per unit is calculated by using the formula _____ Ans: Selling price per unit- cost price per unit	
	State whether the following statements are 'true' or 'false'.	
Q7.	Environment scanning is required to convert an idea into an opportunity. Ans: False Or Innovation is an indication that will help the entrepreneur to understand the market and produce goods or provide services in sync with the market needs, demand and taste. Ans: False	1
Q8.	Start up finance is the capital required by an entrepreneur for conducting research at pre commercialization stage. Ans: False	1
Q9.	Proforma investment decisions relates to how the enterprise funds are required in different assets so that the enterprise is able to earn the highest possible returns on investment. Ans: True	1
Q10.	The Cash Conversion Cycle is the length of time between a firm's purchase of inventory and the receipt of cash from accounts receivable Ans: True	1
Q11.	B & H is a leading advertising firm. They recruit new graduates through college placements. During an interview, a student was asked to list the four rules for planning any advertising activity, he replied that the following is required: Aim, Target, Desire, Competitors. Ans: False	1

Q12.	During mergers and acquisitions the value of the combined entity is expected to be greater than the sum of the independent values of the merging firms. Ans: True	1
	Multiple Choice Questions:	
Q13.	Exploring opportunities in the environment is a process involving various steps. Arrange the steps in correct order. i) Evaluating the ideas received from different sources to find a creative solution ii) Identifying a product or service through innovation iii) Opportunity spotting by analysing the needs and problems that exist in the environment iv) Setting up a project and nurturing it to success a. i-ii-iii-iv b. iii-i-ii-iv c. ii-iii-iv-i d. i-iv-iii-ii Ans. b. iii-i-ii-iv	1
Q14.	Which of the following is not a method of 'Negotiation'? a. Each side works towards a solution and everyone wins something. b. One party gets what they want and other party has to give something up. c. This involves starting on small details and working upward until a settlement is reached. d. It entails all aspects of interaction that a company has with its customer, whether it is sales or service-related. Ans. d. It entails all aspects of interaction that a company has with its customer, whether it is sales or service-related.	1
Q15.	Priya joined a Publication Company that publishes a monthly magazine "Lifestlye". It covers articles related to fitness, clothing, gadgets, cooking etc., Priya had joined the clothing division of the magazine. Her divisional head explained her nature of work of the division. She also informed Priya that in addition to visits to local mall she would have to attend 'Power lunches' on the first Monday of every month. Out of the following identify the way of spotting trend, the divisional head is talking about? a. Talk trends b. Read trends c. Watch trends d. Think trends Ans: c. Watch trends	1

Q16.	Varun, a student of class XII, observed that a large number of students of the school were using mobile phones. He also observed that many parents of such students were worried about the content being viewed by their children on mobile phones and were not able to control them. Being a talented and an intelligent student he decided to develop an app that may help the parents to watch and control children regarding the content being viewed. From the following identify the “idea field” used by Varun to develop the app a. Creative efforts b. Trading related ideas c. Market driven idea d. Natural resources Ans: a. Creative efforts	1
Q17.	ABC Ltd., decided to raise funds by issuing shares. The finance department felt that the company should offer the shares to existing shareholders on a pro-rata basis. Out of the following, identify the method of raising the funds being suggested by the finance department? a. Public Issue b. Rights Issue c. Private Placement d. Offer to Employees Ans: b. Rights Issue	1
<u>Section B</u>		
Q.18.	From the following information obtained from the financial statements of Bites Ltd., calculate Return on Equity. Net Income earned - ₹ 10,00,000 Equity- ₹ 5,00,000	2
Ans.	Return on Equity= $\frac{\text{Net Income}}{\text{Equity}} \times 100$ $= \frac{10,00,000}{5,00,000} \times 100$ $= 200 \%$	1 mark for formula and 1 mark for calculation
Q.19.	Raghav is a very creative person and has always been working on innovating products and services that can make living healthy and hygienic. He developed a design of an air conditioner with an inbuilt air purifier as well. Since he did not get any financial support from any bank, he approached Nirvana Vent (VC), a venture capitalist firm. Though VC liked the idea but it refused to help Raghav at the seeding stage and asked him to come again if needed during second round financing. Why was seed capital not given by VC when it was ready to fund the second round financing?	2
Ans.	Venture capitalists are typically very selective in deciding what to invest in and as	0.5 mark each for four

	a rule of thumb: 1) They may invest in one in four hundred opportunities presented to it, 2) Looks for the extremely rare, yet sought after qualities, such as : a) innovative technology, b) potential for rapid growth, c) a well-developed business model d) an impressive management team. 3) Looks for an "exit" in the time frame of typically 3-7 years. 4) Is inclined towards ventures with exceptionally high growth potential. The VC do not fund for seed capital as its result and return both are not sure.	reasons
Q.20.	Why are copyrights and patent important for an entrepreneur? OR Differentiate between the two types of sales strategy.	2
Ans.	Copyright : It gives the creator of original work exclusive rights to it, usually for a limited time. It means apply to a wide range of creative, intellectual or artistic forms or work. For example, musical composition, literary work such as poems, plays etc. Patents: It grants an inventor the right to exclude others from making, using, selling, offering to sell, and importing an invention for a limited period of time, in exchange for the public disclosure of the invention. OR The two strategies are: Direct sales strategy- the sales people talk about each feature of the competitor's product and compare it to theirs. Indirect sales strategy- in this the approach is by demonstrating features and benefits not available with the competition's products or services without ever mentioning them by name.	1 mark for each ½ mark for heading and ½ for explanation each
Q.21.	Vector Ltd., is in the Fast Moving Consumer Goods industry. They introduced a new variety of biscuits in the market. It has high fibre content with different new flavours incorporating various multigrains. Create a tagline for the product and state which promotion strategy should be used by Vector Ltd.,	2
Ans.	Tagline- Health One and for all Promotion strategy used- Above the line as it focuses on advertising to a large audience through print, television etc.,	1 mark for tagline and 1 mark for stating the strategy
Q.22.	Vishnu started his factory for manufacturing plastic items in Daman. As per the advise of his Manager, he appointed 'Bizmadeeasy' company to formulate a business plan for his manufacturing unit. The company in it's business plan	2

	mentioned the cost of installing a water waste treatment plant within the premises of the manufacturing unit. Interpret any two socio-economic benefits expected to acquire from the proposed investment.	
Ans.	The socio economic benefits are: 1) Employment generation 2) Import substitution 3) Ancillarisation 4) Export promotion 5) Local resource utilization 6) Development of the area (Any two)	1 mark for each socio-economic benefit
Q.23.	Rani finished her graduation from Bangalore University. Along with her friends she decided to travel the European countries for 20 days. She faced a lot of problems before and during her visit. While applying for visa, she found the process to be too tedious so she approached a travel agent who helped her but still it turned out to be expensive. After that she visited various websites to book hotels and transportation. It was a long process. After leaving India, she found that language in every European country was different even though English was spoken widely. She could not find a single app which would cover everything from obtaining a visa, places to stay, eat and visit in every city. This roadblock inspired her to come up with a solution. When she came back to India, she developed an app that can be downloaded on any phone. The app acts as a virtual guide for every traveller who wants to visit European countries. State the objectives of developing this app.	2
Ans.	Objectives of problem identification: 1. It should clearly state the problem 2. Identify target group facing the problem 3. Find the market acceptability of the solution to the problem (Any two)	1 mark each for two objectives
Q.24.	List the two things that an entrepreneur has to ensure before selecting an opportunity OR List any two elements of a business opportunity	2
Ans.	a. There is a good market for the product he is going to produce b. The rate of return on the investment is attractive to be accepted by him OR a. Assured market scope b. An attractive and acceptable rate of return on investment	1 mark each for two essentials/elements

	c. Practicability of the idea d. Competence of the entrepreneur to encash it e. Potential of future growth (Any two)	
	<u>Section C</u>	
Q.25.	Rajesh was a chemical engineer working for a company selling insect killer spray. He was aware how this product could harm the health of the users and was constantly looking for ways to improve the product. Filled with innovative zeal, he worked hard and developed a mosquito repellent which produces sonic waves to drive away mosquitoes. It is non-smoky and does not emit any kind of fragrance or odour. It was safe to use as the sonic waves do not affect human beings or plants. He decided to name his product as 'Dengularia Free'. The product was to be packed in a corrugated box with an extension cord as free gift. Its price was fixed at Rs. 260 per unit. A replacement warranty for one year will be given as an introductory offer. He decided to sell this product through agents who will sell to both, the wholesalers and retailers depending upon the market to be catered. Quoting the lines from the above para, identify any three elements of marketing mix used by Rajesh.	3
Ans.	a) Product- He decided to name his product as 'Dengularia Free'. b) Place- He decided to sell this product through agents who will sell to both, the wholesalers and retailers depending upon the market to be catered. c) Promotion- The product was to be packed in a corrugated box with an extension cord as free gift. Or A replacement warranty for one year will be given as an introductory offer. d) Price- Its price was fixed at Rs. 260 per unit. (Any three)	0.5 mark for quoting the line and 0.5 for identifying the element.
Q.26.	Pink & Blue Stores sells 1000 insulated water bottles annually. Demand for the product is uniform. Purchase Cost per bottle is Rs.50. Holding cost per annum is 10% of purchase cost. Ordering cost is Rs. 100 per order. Calculate the Economic Ordering Quantity for bottles?	3
Ans.	Economic Ordering Quantity = $\sqrt{2PD/C}$ Thus as : annual demand (D) = 1000 bottles. Order cost (P) = Rs. 100 Annual carrying cost of 1 unit (C/i) = 10% X 50= Rs.5 EOQ = $\sqrt{2 \times 1000 \times 100/5}$ = 200 units.	1 mark for formula+ 1.5 marks for working+ 0.5 mark for final answer.

Q.27.	State any six drawbacks of “Public Issue”. OR State six points of importance of Stock Exchange from the Investors point of view.	3
Ans.	Drawbacks While there are benefits to going public, it also means additional obligations and reporting requirements such as: - Increasing accountability to public shareholders - Need to maintain dividend and profit growth trends - Becoming more vulnerable to an unwelcome takeover - Need to observe and adhere strictly to the rules and regulations by governing bodies - Increasing costs in complying with higher level of reporting requirements - Relinquishing some control of the company following the public offering - Suffering a loss of privacy as a result of media interest (Any Six) OR Following are the importance of Stock Exchange from the Investors point of view: - They publish useful information regarding price lists, quotations, etc., of securities through newspapers and journals. - It provides a ready market for converting shares into cash. - Stock exchanges formulate rules and regulations so that members may not exploit the investors. - The investors can safely depend upon the information provided by the stock exchanges. - They remove the barriers of distance with regard to securities listed in a stock exchange. - Stock exchange helps the investor in calculating profit or loss on investments.	0.5 mark each for any six drawbacks 0.5 mark each for six importance
Q.28.	Karan finished his graduation from Polytechnic college in the year 2018. He had specialised in repairing of electronic goods. After few months of his graduation, he met his uncle who has a small factory manufacturing electronic circuits used in Television. His uncle informed Karan that he could no longer run the unit so Karan decided to take over the factory. His uncle had two workers. Karan was able to get a huge order of supplying 10,000 units of electronic circuits every month from a popular TV manufacturing company in India. He knew that to meet the orders timely he has to employ more people. In order to do so he decided to formulate Manpower planning. Describe the factors that Karan has to keep in mind while formulating manpower plan.	3

Ans.	Karan has to formulate manpower planning keeping in mind the following: a) What kind of people are required? To carry on its work, each organisation needs personnel with the necessary qualifications, skills, knowledge, experience and aptitude for work. Since it is a factory, Karan will need more semi skilled employees keeping in mind that they will be manufacturing electronic circuits. He will also need a manager to supervise the production work. b) How many people are required? This question deals with the quantity of personnel the enterprise needs. Presently the factory has just two employees, so Karan will need at least ten workers to achieve the production target every month. This number of employees will be taken into account keeping in mind the absenteeism and turnover. c) How to procure personnel? As the next step in manpower planning, entrepreneur clearly mentions the strategies, methods, policies, rules and regulations pertaining to employees. He can approach his own polytechnic college and recruit fresh graduates. He has to properly train the employees so that there is less error in production and the target is completed on time.	1 mark for each point
Q.29.	Explain the various factors involved in sensing opportunities? OR An organisation will have to look into three situations while framing the production plan. Explain these three situations.	3
Ans.	The most important factors involved in the process are: a. Ability to perceive and preserve basic ideas: Spotting of an idea often triggers the process of sensing an opportunity. The following are the various sources which lead to the emergence of basic ideas. a) Problems: When a problem exists and an idea leads to a solution to resolve that problem, it emerges as a business opportunity. b) Change: A change in social, legal, technological aspects etc. leads to new opportunities to start a business. c) Inventions: Invention of new products or services leads to new business opportunities. d) Competition: Competition often results in emergence of new and better ideas that result in new business opportunities. e) Innovation: It includes 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 b. Ability to harness different sources of information: Various sources like magazines, journals, books, seminars, trade shows, family	1 mark each for three factors/situations

	members, customers, friends etc help in getting information that helps in evolution of basic ideas. Bring 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. c. Vision and creativity: Creativity in innovating a solution and vision. The entrepreneur should be able to 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 help them to move forward, overcoming all the obstacles. They constantly-a) overcome the adversity b) are able to exercise control over the business c) are capable of making significant difference. OR The three situations involved in production plan are: 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. b. Partial manufacturing: If some or all the manufacturing process is to be subcontracted or outsourced, then the production plan should describe: i) Name and location of subcontractor(s) ii) Reasons for their selection iii) Cost and time involved iv) Any contracts that have been completed etc. 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. c. Complete Manufacturing: If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe: i) the physical plant layout, ii) the machinery and equipment required to perform the manufacturing operations, iii) raw materials and suppliers names, addresses, terms and conditions, iv) cost of manufacturing v) any future capital equipment required etc.									
	<u>Section D</u>									
Q.30.	CleAir Pvt. Ltd. started a business of making three varieties of portable air purifiers for vehicles - Vincent, Banish, Exclusive. From the following information calculate Breakeven point in units for the company and suggest which variety is most revenue generating. Fixed costs are Rs. 15,20,000. <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">Vincent</td> <td style="text-align: center;">Banish</td> <td style="text-align: center;">Exclusive</td> </tr> <tr> <td style="text-align: center;">Sales Price</td> <td style="text-align: center;">800</td> <td style="text-align: center;">450</td> <td style="text-align: center;">600</td> </tr> </table>		Vincent	Banish	Exclusive	Sales Price	800	450	600	4
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Q.31.	Why is it important for a business to have an effective sales strategy?	4								
	OR									
	Differentiate between internal expansion and external expansion.									
Ans.	a. Successful strategies help the sales force focus on target market customers and communicate with them in relevant and meaningful ways. b. Sales representatives need to know how their products or services can solve customer's problems. A successful sales strategy conveys this so that the sales force spends time targeting the correct customers at the right time. c. Planning and creating an effective sales strategy requires looking at long-term sales goals and analyzing the business sales cycle, as well as meeting with sales people about their personal career goals. Going through these exercises helps business owners and managers gain a more intimate knowledge of the sales intervals, seasonal changes and what motivates the sales team. d. After creating the long-term sales strategy based on long-term goals, sales managers should create monthly and weekly sales strategies based on the long-term strategy. This allows for short-term performance measurement of the sales team. OR <table border="1"> <thead> <tr> <th>Internal Expansion</th><th>External Expansion</th></tr> </thead> <tbody> <tr> <td>Internal expansion results from the gradual increase in the activities of the concern.</td><td>External expansion refers to business combination where two or more concerns combine and expand their business activities.</td></tr> <tr> <td>The concern may expand its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity.</td><td>In the process of combination, two or more units engage in similar business or related process or stages.</td></tr> <tr> <td>The internal expansion can also be undertaken by taking up the production of more units or by entering new fields on the production and marketing sides. Internal expansion may be financed by the issue of more share capital, generating funds from old profits or by issuing long-term securities.</td><td>Sometimes stages of the same business join with a view to carry on their activities or shape, their policies on common basis some other or in coordination for mutual benefit or maximum profits.</td></tr> </tbody> </table>	Internal Expansion	External Expansion	Internal expansion results from the gradual increase in the activities of the concern.	External expansion refers to business combination where two or more concerns combine and expand their business activities.	The concern may expand its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity.	In the process of combination, two or more units engage in similar business or related process or stages.	The internal expansion can also be undertaken by taking up the production of more units or by entering new fields on the production and marketing sides. Internal expansion may be financed by the issue of more share capital, generating funds from old profits or by issuing long-term securities.	Sometimes stages of the same business join with a view to carry on their activities or shape, their policies on common basis some other or in coordination for mutual benefit or maximum profits.	1 mark each for four importance. 1 mark each for correct difference.
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	The net result of internal expansion is the increase in business activities and broadening the present capital structure. The combination may be among competing units or units engaged in different processes. After combination, the constituted firm pursues some common objectives or goals.	
Q.32	Explain the various factors involved in assessing the market while selecting a product or service?	4
Ans.	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. b. Supply and nature of competition: While assessing market, supply position is also studied by entrepreneurs. A complete picture of quantities of the product made available in the market by all the existing players should be made available. It should take into account future supplies from possible entrants in the field. c. 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. d. Project innovation and change: Market assessment will require a study of prevailing innovations and changes being carried out by existing entrepreneurs. Technological advancements in the field have to be analysed because they may change the quality and influence the cost and price ultimately.	1 mark for each factor with proper explanation
	<u>Section E</u>	
Q.33	Why is 'place mix' regarded as an important element of marketing mix? How does the considerations related to market have an impact on the selection of a distribution channel?	6
Ans.	It is a distribution network through which the producer puts his products in the market and passes it to the actual users. This channel consists of: producers, consumers or users and the various middlemen like wholesalers, selling agents and retailers (dealers) who intervene between the producers and consumers. Therefore, the channel serves to bridge the gap between the point of production and the point	1 mark for correct meaning + 5 marks for five

	of consumption thereby creating time, place and possession utilities. Considerations related to market are given below: a. Number of buyers: If the number of buyers is large then it is better to take the services of middlemen for the distribution of the goods. On the contrary, the distribution should be done by the manufacturer directly if the number of buyers is less. b. Types of buyers: Buyers can be of two types: General Buyers and Industrial Buyers. If the more buyers of the product belong to general category then there can be more middlemen. But in case of industrial buyers there can be fewer middlemen. c. Buying habits: A manufacturer should take the services of middlemen if his/her financial position does not permit him/her to sell goods on credit to those consumers who are in the habit of purchasing goods on credit. d. Buying quantity: It is useful for the manufacturer to rely on the services of middlemen if the goods are bought in smaller quantity. e. Size of market: If the market area of the product is scattered fairly, then the producer must take the help of middlemen.	considerations
Q.34	Explain the various steps involved in preparing a marketing plan? OR Explain are the various elements of an Operational plan?	6
Ans.	Marketing plan provides the organisation with guidelines with respect to marketing objectives, strategies and activities to be followed. The various steps are: a. Business situation analysis: If it is an existing enterprise then it's past performance and achievements are looked into it. If it is a new enterprise then aspects like personal profile of the entrepreneur, product development, experience of the entrepreneur, the need the product satisfies and marketing segmentation is looked into. b. Identify the target market: For any new venture, it is very essential to define clearly the specific group of potential customers whose needs the enterprise aims to fulfil. c. Conduct SWOT analysis: The plan needs to consider the Strengths, Weakness, Opportunities and Threats of the organisation to ensure success. d. Establish goals: The enterprise needs to set realistic, attainable goals. They need to quantify the goals so that they can be controlled and limit it to certain number.	1 mark each for six steps/ 1 mark each for six elements

	e. Define marketing strategy: The strategy should comprise various decisions pertaining to the following P's: Product, Price, Promotion and Place f. Implementation and monitoring of the plan: It is important for the entrepreneur to understand that this plan should be flexible and he should be prepared to make necessary adjustments as and when required. OR a. 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. b. Scheduling: It means fixation of time, day, date when each operation is to be commenced and completed. It is the determination of the time that should be required to perform each operation. c. Dispatching: The process of initiating production in accordance with pre-conceived production plan is said to be dispatching. This includes issuing necessary orders instructions, guidelines and/or information to work pertaining to giving practical shape to the production plan. d. Follow-Up: This element relates to evaluation and appraisal of work performed. A properly planned follow-up procedure is helpful in dispatching errors and defects in the work. Follow-up element helps the entrepreneurs in: a) Developing ways to review the present situation with regard to materials, work-in-progress and finished goods. b) Evolving ways to expedite the performance of those departments which lag behind. c) Removing obstacles in the way of production by suggesting remedial measures. e. Inspection: Inspection is the art of comparing materials, product or performance with established standards. This element helps the entrepreneur to set up laboratories or evolve strategies/methods to ensure predetermined quality of product/service. f. Shipping: This element is a detailed presentation by the entrepreneur explaining the chronological steps in completing a business transaction efficiently and profitably.	
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