



THE VILLAGE
INTERNATIONAL SCHOOL
"We Nurture Dreams"

Marking Scheme (2023-24)
Subject: Entrepreneurship (066)

Class: XII

Part A		
	Answers	Marks
1	(a) I, II and IV	1
2	(b) It target identified small groups	1
3	(c) II and III	1
4	(b) vertical merger	1
5	(a) sole proprietorship	1
6	(b) penetration pricing	1
7	(c) Rs2,00,000	1
8	(c) I, II and III	1
9	(b) 20%	1
10	(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)	1
11	(d) Assertion (A) is false, but Reason (R) is true	1
12	(a)	1
13	(a) the revenue generated is equal to all the expenses required for generating the revenue	1
14	(d) Creative efforts	1
15	(b) service related	1
16	(d) Creative efforts	1
17	(c) Joint stock company	1
18	(c) Technological	1

19	<p>(a) The characteristics are as follows</p> <p>(i) Implied Authority Any partner can act on behalf of the firm and his acts bind the firm.</p> <p>(ii) Mutual Agency The business of the firm can be carried on by all the partners or any one of them acting for all. Thus, every partner is a principal as well as an agent. This means each partner is liable for the acts performed by other partners and each partner can bind other partners and the firm by his acts done in an ordinary course of business</p> <p style="text-align: center;">Or</p> <p>(b) Characteristics of partnership that overcome the inherent limitations of sole proprietorship are</p> <p>(i) Continuity A partnership continues until all partners desire to continue it. Legally, a firm dissolves on the retirement, death, bankruptcy, lunacy or disability of a partner, if not otherwise provided in the partnership deed.</p> <p>(ii) Utmost Good Faith Mutual trust and confidence is the main strength of partnership. Every partner should act honestly and give proper accounts to other partners.</p>	2
20	<p>The given case highlights the conglomerate mergers. In this type of merger, the firms which are involved in totally unrelated businesses come together. This form of merger can take the following two forms</p> <p>(i) Pure conglomerate merger</p> <p>(ii) Mixed conglomerate merger</p>	2
21	<p>The two factors of PESTEL model highlighted are</p> <p>(a) Technological It includes product efficiency, new technology being planned, better and cheaper innovative products.</p> <p>(b) Ecological It includes concern about the impact of carbon emissions from jet engines, care for environment, noise, and resistance to airport expansion.</p>	2
22	<p>(a) SWOT stands for Strengths, Weaknesses, Opportunities and Threats, SWOT analysis helps to monitor the environment, both internal and external. Therefore, it is also referred to as internal and external analysis. SWOT analysis helps an entrepreneur to decide on a particular opportunity keeping in view his strengths and weaknesses (internal analysis) and the opportunities and threats (external analysis) in the market.</p> <p style="text-align: center;">Or</p> <p>(b) The business plan is valuable to all stakeholders such as the entrepreneur himself, potential investors, venture capitalists, banks, financial institutions, suppliers, customers, advisors, etc., as it provides a road-map for starting a new venture. At times, a business plan also helps to identify the obstacles which cannot be overcome, suggesting terminating the venture while still on paper, thereby saving time and money.</p>	2
23	<p>Brand is a comprehensive term used to denote a name, term, sign, symbol, design or combination of them, with a view to identify the products of one firm and differentiate them from those of their competitors.</p>	2
24	<p>(a) Public issue involves raising of funds directly from the public through the issue of prospectus. It is the most popular method of raising finance. This method requires compliance to various statutory laws relating to prospectus drafting, listing agreements, et</p>	2

	<p>Going public raises the obligations and reporting requirements of a company, such as (any two)</p> <p>(i) Increasing accountability to public shareholders. (ii) Need to maintain dividend and profit growth trends.</p> <p>(iii) Need to observe and adhere strictly to the rules and regulations of governing bodies.</p> <p style="text-align: center;">Or</p> <p>(b) Capital market may be defined as an organised mechanism meant for effective and smooth transfer of money capital or financial resources from the investors to the entrepreneurs. The role of transferring financial resources from the surplus units to the deficit units is known as financial intermediation.</p> <p>Capital market plays a very vital role of financial intermediatory. Here, productive capital is raised and made available for industrial purposes.</p>	3
25	<p>The component of business plan highlighted is production plan.</p> <p>Production is the most important activity of an enterprise because it is through this process that raw materials are transformed into finished products.</p> <p>According to Kimball and Kimball Jr, "the planning of industrial operations, involves four considerations, namely, what work shall be done, how the work shall be done and lastly, when and by whom the work shall be done". Being highly complex and tedious, the manufacturing operation needs to be well planned. A production plan helps to plan the work in such a manner that one can clearly form an idea about</p> <p>(a) Production schedule and/or budget.</p> <p>(b) Machinery, equipment required.</p> <p>(c) Manufacturing method and process involved.</p> <p>(d) Plant layout.</p> <p>(e) Time, motion and work study.</p> <p>(f) Manpower requirement.</p> <p>(g) Inventory requirement</p>	3

26	<p>(a) Producer-Customer (Direct channel-zero level) This is the simplest, shortest and the most economical channel of distribution, in which producers sell their products directly to the consumers. This channel is helpful in following ways</p> <p>(1) There is no middleman involved in this channel of distribution.</p> <p>(ii) A producer may sell directly to the consumers through door-to-door sales persons or direct the his own retail stores</p> <p>(iii) This method helps the firms to sell industrial products of high value as well as small producers or producers of perishable commodities to sell directly to local consumer.</p> <p style="text-align: center;">Or</p> <p>(b) A sales strategy is a plan that positions a company's brand in such a way, that it gains a competitive advantage in its segment. Successful strategies help the sales force focus on target market customers and communicate with them in relevant and meaningful ways.</p> <p>Successful sales strategies communicate to the sales force how their products and services can solve the customers' problems, so that they can target the right customers at the right time.</p> <p>An effective sales strategy is important for a business because of the below mentioned reasons</p> <p>(i) Planning an effective sales strategy requires looking at long-term sales goals and analysing the business sales cycle.</p> <p>(ii) It helps business owners and managers to gain a more precise knowledge of sales intervals, seasonal changes and motivating factors about the sales team.</p> <p>(iii) After creating long-term sales strategy based on long-term goals, sales managers create monthly and weekly sales strategies. This allows for short-term performance evaluation of sales team and allows taking remedial action if targets are not achieved.</p>	3
27	<p>The form of expansion discussed is franchising.</p> <p>Franchising can be defined as 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 standardised operating procedures,</p> <p>According to Arnold S Goldstein, "Franchising occurs when the franchisee markets a product or service developed by a franchiser under an agreement and license to do so."</p> <p>Today, franchising is helping thousands of individuals to be their own boss and operate their own business. It allows entrepreneurs to be in business for themselves, but not by</p>	3

	themselves	
28	<p>Perceiving an opportunity or an idea might come from different sources, such as</p> <p>(a) Problem Many times, a solution to a problem leads to idea generation. e.g. Water heaters operated on LPG is the outcome of low power supply in small towns and villages</p> <p>(b) Change Any change in social, legal or technological aspects, leads to a new business opportunity eg. Product with zero cholesterol, zero calorie coke, multigrain breads, etc, are results of movement of society towards health consciousness.</p> <p>(c) Invention New products or services lead to new business opportunities. e.g. With the development of android, most of the mobile companies started offering it.</p>	3
29	<p>(a) The amount of time (measured in days) it takes for a business to convert its investments in inventory and other resources into cash flows from sales is known as the Cash Conversion Cycle (CCC).</p> <p>The cash conversion cycle is the length of time between a firm's purchase of inventory and the receipt of cash from accounts receivables. CCC represents the number of days a firm's cash remains tied up in the operations of the business. Different products will have different operating cycles. "Longer the operating cycle, requirement of working capital</p>	3

	<p>will be more, while shorter the cycle, less working capital is needed." For instance, the operating cycles of a trading concern and a manufacturing concern are explained below</p> <ul style="list-style-type: none">(i) In a Trading Concern Since, there is no manufacturing, the operating cycle will be shorter. Here, the operating cycle will include the length of time taken for procurement of goods and realisation of sales revenue.(ii) In a Manufacturing Company It includes manufacturing, thus operating cycle will be longer. Here, operating cycle is the length of time needed to complete the following<ul style="list-style-type: none">Conversion of cash into raw materials.Conversion of raw materials into work-in- progress.Conversion of work-in-progress into finished goods.Conversion of finished goods into accounts receivable.Conversion of accounts receivable into cash. <p>(b) An angel investor or angel, also known as a business angel or informal investor or angel funder, is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity.</p> <p>Angel investors, generally provide capital for a business start-up and early stage companies having a high-risk, high-return matrix.</p> <p>The various features exhibited by angel investors are as follows</p> <ul style="list-style-type: none">(i) Most angel investors are current or retired executives, business owners or high net worth individuals, who have the knowledge, expertise and funds that help start-ups match up to industry standards.(ii) As angel investors bear extremely high risk and their share is subjected to dilution after second round of funding, therefore they expect a high return on their investment.(iii) Apart from investing funds, they also provide proactive advice, guidance, industry connections and mentoring start-ups in its early stage.	
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30	<p>a) 'Reasons for Mergers and Acquisitions'.</p> <p style="text-align: center;">Or</p> <p>(b) In this type of pricing strategy, entrepreneurs set their prices higher, so that fewer sales are needed to break-even.</p> <p>Selling a product at a high price, sacrificing high sales to gain a high profit is therefore 'skimming the market.'</p> <p>This strategy is usually employed to reimburse the cost of investment on the original research and is commonly used in the electronics market where a new range, such as smart phones are initially dispatched into the market at a high price.</p> <p>This price strategy gives an entrepreneur the following advantages</p> <p>(i) It helps the entrepreneur to recover the research and development costs associated with the new product quickly.</p> <p>(ii) This strategy best suits an entrepreneur who caters to consumers who are quality conscious rather than price conscious.</p> <p>This price strategy gives an entrepreneur the following disadvantages</p> <p>(i) This strategy can backfire if competitors introduce same product at lower price. Also, business will lose its customers of other segments if the customers perceive that it is the general policy of the business to sell its products at an inflated price.</p> <p>(ii) This strategy cannot be implemented if there are strict legal and government regulations regarding consumer rights</p>	5
31	<p>Venture Capital It is a type of private equity capital provided as seed funding to early stage, high-potential, high-risk, growth-up companies and entrepreneurs who lack the necessary experience and funds to give shape to their ideas. It is also known as risk-capital Seed Capital Finance It refers to the capital required by an entrepreneur for conducting research at pre-commercialisation stage. During this stage, the entrepreneur has to convince the venture capitalist. why his idea/product is worthwhile.</p> <p>The venture capitalist will then investigate into the technical and economical feasibility of the idea. Entrepreneur's ability, technological skills and competencies are closely scrutinized by the venture capitalist. He may deny assisting if the findings and investigations are not up to his satisfaction.</p> <p>Pre-start-up and Start-up Finance If the idea/product/process is qualified for further investigation and/or investment; the process will go to the second stage, i.e. the start-up stage. A business plan is presented by the entrepreneur to the venture capitalist firm.</p> <p>A management team is then formed to run the venture. If the company has a board of directors, then a person or persons from the venture capitalist firm will take seats at the board. The management team establishes a feasible production line to produce the product.</p>	5

	<p>The venture capitalist firm monitors the feasibility of the product and the capability of the management team from the board of directors.</p>	
32	<p>a) It is a process of entrepreneurship which involves the translation of a useful idea into an application which has a commercial value. Innovation is required to work out analytically the details of the enterprise, to develop marketing strategies, to organise, finance and strategies operations.</p> <p>Elements of Innovation Process</p> <p>(1) Analytical planning involves</p> <p>Identifying the product or service features</p> <p>Design</p> <p>Resources</p> <p>(ii) Resource organisation involves</p> <p>Human resources</p> <p>Material resources</p> <p>Technology</p> <p>Capital resources</p> <p>(iii) • Applying resources</p> <p>Implementation involves</p> <p>• Delivering results</p> <p>(iv) Commercial application involves</p> <p>Provision of value to customers</p> <p>Reward employees</p> <p>Satisfy stakeholders</p> <p style="text-align: center;">Or</p> <p>(b) Trend Spotting It means identification of new trends. It will help the entrepreneur to understand the market and provide service or produce goods according to the market</p>	5

	trends. There are several professional trend spotters, but they charge huge sums of money.	
33	<p>a) A business plan is basically a written representation of an entrepreneur's vision for his business. It is a comprehensively written document prepared by an entrepreneur describing formally all the external and internal factors involved in starting a new venture.</p> <p>The depth and detail in the business plan depends on the size and scope of the proposed new venture. There is no fixed content for a business plan as it varies according to the entrepreneur's goals and audience. Thus, it is common to have three or four formats as follows for the same business plan.</p> <p>Rajat has used an elevator pitch</p> <p>Elevator Pitch It is basically a 3 minute summary of the business plan's executive summary. This format is often used as a teaser to awaken the interest of the potential investors, customers or strategic partners</p>	5
34	<p>To calculate the break-even point, we need to find out how many units of each product (classic salted fox nuts and caramel salted popcorn) we need to sell to cover the fixed cost of ₹ 1,00,000.</p> <p>Let's assume the number of units of classic salted fox nuts sold be 'x', and the number of units of caramel salted popcorn sold be 'y'.</p> <p>We know the sales mix percentage, which means 40% of the total units sold will be classic salted fox nuts and 60% will be caramel salted popcorn.</p> <p>Hence, we can write</p> $x + y = \text{total units sold}$ $0.4x + 0.6y = 1 \text{ (since sales mix percentage equals 100\%)}$ <p>where 1 represents the total sales mix percentage. Now, let's calculate the contribution margin per unit for each product</p> <p>Contribution margin per unit for classic salted fox nuts = Sale price per unit - Variable cost per unit 120-70 ₹50</p> <p>Contribution margin per unit for caramel salted popcorn Sale price per unit - Variable cost per unit = 80-30 ₹50 Since both products have the same contribution margin per unit, we can use the weighted average of the sale price and variable cost per unit for the break-even calculation.</p> <p>Now, weighted average sale price = $(0.4 \times 120) + (0.6 \times 80) = 96$</p> <p>Weighted average variable cost per unit = $(0.4 \times 70) + (0.6 \times 30) = 46$</p>	5

Now, we can calculate the break-even point in units $\text{Fixed cost/Contribution margin per unit} = 1,00,000/50$

$= 2,000$ units

So, to break-even, 'Baked Delight Ltd.' needs to sell a total of 2,000 units of classic salted fox nuts and caramel salted popcorn.

To calculate the break-even point in rupees, we can multiply the break-even point in units by the weighted average sale price $\text{Break-even point in rupees} = \text{Break-even point in units} \times \text{Weighted average sale price} = 2,000 \times 96 = 1,92,000$

Therefore, 'Baked Delight Ltd.' needs to sell 2,000 units of the products or generate a revenue of 1,92,000 to break-even.