

CHAPTER 4-ENTERPRISE GROWTH STRATEGIES
CBSE BOARD QUESTIONS FROM PREVIOUS
YEARS

| YEAR 2019 | | |
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| 1 | 'First School Ltd.' is an acclaimed infrastructure development company. It designs the buildings for educational institutions in a unique way to give the maximum benefits of nature to the different stakeholders in the institution. Generally, the buildings have been designed by them in such a way that during the day maximum sunlight is utilized and solar panels conserve solar energy for the rest of the day. This helps to conserve electricity and reduce the electricity bill. Identify the type of value added by 'First School Ltd.'. | 1 |
| Ans | | |
| 2 | Kamal Ltd. are manufacturers of textiles, having their plant in Surat, a city of Gujarat. Vastra Ltd. are the manufacturers of readymade garments and sell their products throughout the country. They also export their products to America and European countries. Vastra Ltd. source their textiles from Kamal Ltd. The management of the two companies decided to merge to have economies of large scale production. (a) Identify the type of merger entered into by Kamal Ltd. and Vastra Ltd. (b) Also, explain a type of merger other than the one identified in (a) above. | 2 |
| Ans | | |
| 3 | Beta Ltd. is a steel manufacturing company having its headquarters at Mumbai. It is the tenth largest steel manufacturing company of the world. Gama Ltd. are also steel manufacturers with their headquarters in Rangoon, the capital of Myanmar. For a long period the company (Gama Ltd.) had been facing workers unrest and it decided to sell its business to an international bidder. The highest bid for this was made by Beta Ltd. For 10 lakh crores. Afterwards Beta Ltd. realised that the assets of Gama Ltd. were overvalued and liabilities were under-assessed and hence the price paid by them was higher. The employees of the two entities have different corporate cultures and styles of leadership which led to the problem of co-ordination. Ultimately Beta Ltd. had to close its business. (a) Identify the growth strategy adopted by Beta Ltd. (b) Quoting lines from the above paragraph, explain any two reasons for the failure of Beta Ltd. after it took over the business of Gama Ltd. | 3 |
| Ans | | |
| 4 | Explain any four advantages of franchising to a franchisee? | 4 |
| Ans | | |
| 5 | Explain the different types of franchising. | 4 |
| Ans | | |

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| 6 | <p>'Handiwala' is a biryani delivery chain having franchisee outlets all over the country. They started their operations in the country in the year 2012. Since Biryani is not a new item for Indian kitchens, they knew that they had to face a lot of challenge from the competitors. Therefore, they decided to maintain highest quality standard to add new customers and retain the old. Their idea was to collect, manage and link customer information with the goal of marketing the products effectively. For this purpose they started offering lot of discounts when customers ordered online. They offered free home delivery in case the order exceeded < 500. They also offered to supply free-of-cost, the ordered items of biryani in case of a complaint. The company also spent a substantial amount in maintaining the database of all the customers. They were sure that through these initiatives they will be able to gain more market share.</p> <p>(a) Identify and explain this concept.</p> | 6 |
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| | <p>(b) How is this concept used in the present day? (c) What is the impact of technology on this concept? (d) Enlist two benefits of this concept.</p> | |
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| YEAR 2020 | | |
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| 7 | In a Reverse acquisition a public company takes over a private company. TRUE/FALSE | 1 |
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| Ans | | |
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| 8 | <p>The footwear industry in India is dominated by 'B-relax Footwear'. 'B-relax Footwear' procures 70% of its raw material from 'Polymers Ltd.' The major production of 'Polymers Ltd.' is plastic chips, PU foam and elastic which is used by 'B-relax Footwear' in its manufacturing processes. After due diligence, they decide to merge with each other. If they merge, 'B-relax Footwear' doesn't need to look for a vendor and sourcing raw materials would be seamless. On the other hand, as a result of the merger, 'Polymers Ltd.' doesn't need to worry about the sales and marketing. All they need to do is to improve their processes to produce better raw materials for 'B-relax Footwear'. After the merger the combined entity will be known as 'B-relax Inc'.</p> <p>(i) Identify and explain the type of merger between 'B-relax Footwear' and 'Polymers Ltd.' (ii) Why is due diligence required before merger? (iii) Which is the most dominant reason for this merger? Explain.</p> | 3 |
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| 9 | Explain with the help of any four points the advantages of franchising to the franchisee. | 4 |
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| 10 | Explain Internal expansion and External expansion as part of growth and development of an Enterprise. | 4 |
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| Ans | | |
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| 11 | Explain any six reasons for the failure of mergers and acquisitions. | 6 |
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| Ans | | |
| YEAR 2022 | | |
| 12 | Give the meaning of Franchise agreement | 2 |
| Ans | | |
| 13 | <p>Oorja and KTC Wifi are two broadband provider companies operating in South-East Delhi. Both are close competitors and have developed their strong customer base over the years. The COVID-19 pandemic made the offices and schools switch their customer base online. Just then a multinational service provider company, Storex BB, entered the market and launched its services at a much cheaper price with better connectivity. To counter the threat posed by the company Storex BB, both companies Oorja and KTC Wifi decided to consolidate their business.</p> <p>(a) Identify the enterprise growth strategy adopted by Oorja and KTC Wifi. (b) State the type of growth strategy identified in part (a) above. (c) Give the goal of the type of growth strategy as stated in part (b) above.</p> | 3 |
| Ans | | |
| 14 | Explain synergy as a reason for mergers and acquisitions. | 3 |

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| Ans | | |
| 15 | <p>'Kapoor Merrytime Ltd.' is a renowned name in naturally flavoured ice-creams made from fresh fruits and edible vegetables. The company has its presence in Maharashtra and Goa. Its ice-creams sell under the brand name 'Satvika'. The company has a strong foothold in Maharashtra but is struggling for success in the Goa market. The reason is the presence of a successful local brand by 'Pastle Ice-creams Ltd.' in the market. 'Pastle Icecreams Ltd.' is selling natural ice-creams with locally preferred flavours. Kaapoor Merrytime Ltd.' tried to negotiate its way but because of the goodwill of 'Pastle Ice-creams Ltd.', it could not succeed in its efforts. Frustrated, aapoor Merrytime Ltd.' started buying the shares of 'Pastle Ice-creams Ltd.' to gain control over the management of 'Pastle Ice-creams Ltd.'</p> <p>(a) Identify and explain the type of business combination adopted by aapoor Merrytime Ltd.' as its growth strategy in the Goa market. (b) Explain any two advantages which Kapoor Merrytime Ltd.' would have by adopting its designed strategy.</p> | 5 |
| Ans | | |
| YEAR 2023 | | |
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| 16 | When two companies that may not compete with each other but exist in the same supply chain merge, it is known as: (a) Horizontal merger (b) Vertical merger (c) Market extension merger (d) Product extension merger | 1 |
| Ans | | |
| 17 | Assertion (A): Backflip acquisition is a rare case of acquisition in which the purchasing company becomes a subsidiary of the purchased company. Reason (R): Both the companies approve of the acquisition but the entire process is done by force. Evaluate the statements given above and choose the most appropriate option from the following: (a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A). (b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A). (c) Assertion (A) is true, but Reason (R) is false. (d) Assertion (A) is false, but Reason (R) is true. | 1 |
| Ans | | |
| 18 | Merger between 'Larsen and Toubro (L & T)' with key business area in construction engineering and manufacturing critical equipments and Toltas Limited', an Indian multinational electronics company specialized in manufacturing home appliances, whose business fields are totally unrelated, has taken place. Identify and explain the type of merger between 'Larsen and Toubro (L & T)' and Toltas Limited'. | 2 |
| Ans | | |

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| 19 | Mergers and acquisitions are inspired by a desire to diversify or achieve higher growth rate due to varied reasons. Explain any five such reasons of mergers and acquisitions. | 5 |
| Ans | | |

COMPARTMENT 2019

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| 20 | 'FitNsure Ltd.' introduced an alternate to aerated drinks in the form of soya milk with different flavours in order to give a healthy option for soft drink. Identify the type of added value by the company. | 1 |
| Ans | | |
| 21 | How does 'Porter's value chain' create competitive advantage for an organization? | |
| Ans | | |

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| 22 | “Business adds value to goods and services by modifying them in a particular way to create a new product for greater value to customers.” This added value is different from financial and marketing perspective. State how. | 3 |
| Ans | | |
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| 23 | Explain the main ingredients of a franchise agreement. | 4 |
| Ans | | |
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| 24 | Explain any four reasons for mergers and acquisition. | 4 |
| Ans | | |
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| COMPARTMENT 2020 | | |
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| 25 | ABC Private Limited are the manufacturers of leather shoes only for specially-abled children up to the age of twelve years. It took over XYZ Ltd who are the manufacturers of shoes for all age groups. Which of the following types of acquisition is this? (A) Friendly acquisition (B) Reverse acquisition (C) Backflip acquisition (D) Hostile acquisition | 1 |
| Ans | | |
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| 26 | Explain the main ingredients of a franchise agreement. | 4 |
| Ans | | |
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| 27 | Explain the different types of added value that a business can employ to improve its products and services. | 4 |
| Ans | | |
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| COMPARTMENT 2022 | | |
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| 28 | How is effective operational control maintained by a franchisor In a franchise? State by giving any two points. | 2 |
| Ans | | |
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| 29 | 'Iceberg Foods Ltd.' has a bottling plant of producing flavoured milk. It produces different varieties of flavoured milk ranging from Vanilla to Kesar Pista. The company has its own dairy farms for regular supply of fresh milk. The labels that are affixed on the bottles are | 2 |

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| | <p>supplied by 'C2X Graphics'. Glass bottles are supplied by 'Bharat Glass Works'. Caps for the bottles and crates are supplied by 'Pune Plastics'. 70% of the total business of 'Bharat Glass Works' and 'Pune Plastics' is with 'Iceberg Foods'.</p> <p>To create a better supply chain, 'Iceberg Foods' merged its operations with 'Bharat Glass Works' and 'Pune Plastics'.</p> <p>a) Identify and explain the type of merger that took place between the three companies.</p> <p>b) Also, identify the type of synergy that would be created by this merger.</p> | |
| Ans | | |
| 30 | 'Growth is always essential for the existence of a business concern.' In the light of the given statement, explain any three indicators of internal expansion for an organisation. | 3 |
| Ans | | |
| 31 | <p>'K.K. Ltd.' has been in the field of manufacturing beauty products for the past 15 years. The company is using herbal ingredients to manufacture all its products. In recent times the company is facing a tough competition from another predominant brand named 'Eco Grocery Ltd.' 'Eco Grocery Ltd.' is a small scale company and uses superior quality ingredients for producing its organic based products. The Managing Director of 'K.K. Ltd.' Naresh, tried to negotiate terms with 'Eco Grocery Ltd.' to make it a part of 'K.K. Ltd.' but failed. He then started to buy the shares of 'Eco Grocery Ltd.' and eventually, gained control over the management of the company and made it a part of 'K.K. Ltd.'</p> <p>On the basis of the above information answer the following questions:</p> <p>a) Identify the growth strategy adopted by 'K.K. Ltd.'</p> <p>b) Explain the type of growth strategy used by Naresh identified in (a) above.</p> <p>c) Describe any three reasons of making 'Eco Grocery Ltd.' a part of 'K.K. Ltd.' by Naresh.</p> | 5 |
| Ans | | |
| COMPARTMENT 2023 | | |
| 32 | <p>Coca-Cola and Pepsi are the companies operating in the beverage market. If they decide to merge together to create a large organisation with a bigger market share, the type of merger so formed will be called:</p> <p>(a) Market extension merger</p> <p>(b) Conglomerate</p> <p>(c) Horizontal merger</p> <p>(d) Vertical merger</p> | 1 |
| Ans | | |

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| 33 | <p>Read the following text and answer questions from 14 to 18.</p> <p>Shri Ray, envisioned a restaurant chain that would be known for its consistently high quality food and uniform method of its preparation. To accomplish this, he took a novel approach. He persuaded both franchisors and suppliers to buy into his vision, working not for the organization but for themselves in collaboration.</p> <p>"In business for yourself, but not by yourself," he advertised. Today, franchising is helping thousands of individuals to be their own boss and operate their own business. There is</p> | |
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| | <p>usually a much higher success rate when an individual opens a franchise as opposed to a family-operated business, since a proven business formula is in place. The functioning of this form of business is supported by a 'Franchise Agreement' which is a legal document that binds the franchisor and franchisee together. One of the main ingredients of franchise agreement is operations manual in which detailed guidelines that must be legally followed for operating the business as outlined by the franchisor are stated. One of the most important advantages of buying a franchise is that the entrepreneur does not have to incur all the risks associated with creating a new business. Typically, the areas that entrepreneurs have problems with in starting a new venture are product acceptance, management expertise, meeting capital requirements, knowledge of the market and operating and structural controls. In franchising, the risks associated with each of the above-mentioned factors are minimised through the franchise relationship and all these become advantages of franchising to the franchisee.</p> | |
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| Ans | | |
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| 34 | <p>A legal document that binds the franchisor and franchisee together is known as :</p> <p>(a) Mutual Agency (b) Cooperative Agreement (c) Franchise Agreement (d) Partnership Deed</p> | |
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| Ans | | |
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| 35 | <p>The phrase 'In business for yourself, but not by yourself' means:</p> <p>(a) A franchise form of business provides the individual owner / operator with independence to operate their business. (b) A franchise form of business does not provide the individual owner / operator with any independence to operate their business. (c) A franchise form of business provides the individual owner / operator the necessary capital to operate the business. (d) A franchise form of business is very complex as it requires a lot of capital investment by the franchisee.</p> | |
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| 36 | One of the main ingredients of a franchise agreement which details the guidelines that must be legally followed in operating the business as outlined by the franchisor is known as: (a) Proprietary Statement (b) Operations Manual (c) Contract Explanation (d) Field Manual | |
| Ans | | |
| 37 | Which among the following is not a problem that is minimised in franchising business? (a) Product acceptance (b) Management expertise (c) Cost advantage (d) Knowledge of the market | |
| Ans | | |
| 38 | Which among the following is not an advantage of franchising to the franchisee? (a) Cost advantage (b) Knowledge of the market | |

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| | (c) Management expertise (d) Capital requirement | |
| Ans | | |
| 39 | State any two points of difference between internal expansion and external expansion. | 2 |
| Ans | | |
| 40 | Explain any five reasons for Mergers and Acquisitions of business entities. | 5 |
| Ans | | |
| 41 | What is meant by Acquisition? Explain the four types of acquisitions. | 5 |
| Ans | | |

SAMPLE QP-2014-15

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| 42 | 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 |
| Ans | | |

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| 43 | <p>'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 'Uniquecart 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.</p> <p>(a) Name and explain the 'Enterprise Growth Strategy'. (b) Identify the channel of distribution used by 'Uniquecart Ltd.</p> | 3 |
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| Ans | | |
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| 44 | <p>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.</p> <p>(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.</p> | 4 |
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| Ans | | |
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SAMPLE QP-2015-16

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| 45 | <p>Fizz & Lime is an established beverage company which started bottling Wheat Grass Juice; Bitter gourd with Jamun and Amla with Aloevera. It is planning to expand externally without compromising on the unique taste of these drinks. Belligio Juices got exclusive rights to manufacture and sell Wheat Grass and Amla Aloe under the name Fizz& Lime. Belligio Juices had to use only the ingredients supplied by Fizz& Lime to produce, bottle and distribute the two drinks.</p> | 2 |
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| | <p>a. Identify and explain the form of external expansion adopted by Fizz& Lime. b. State any one feature of this form of expansion.</p> | |
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| 46 | <p>Diary foods ltd., has been well known for it's products throughout India. They started manufacturing Biscuits and chocolates in the year 1995 and slowly built their brand. The company occupied the top position in terms of sales and it increased it's product range also. By 2010 they were the undisputed leader in the field of confectionaries. Their annual general meeting was held wherein the Board of directors felt that the company should also be socially responsible in doing their business. They decided to use new technologically advanced recycled paper for all their products which would retain the freshness of their products as well as contribute towards the saving of our planet. By doing this the company has modified their goods in a particular way to</p> | 3 |
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| | create a new product of greater value to the customers. Identify the concept mentioned above and explain it from financial and marketing point of view. | |
| Ans | | |
| 47 | Unicon Ltd. and Nahata Communications provide Cable T.V network in adjacent areas of Delhi. After sometime the market was slowly taken over by big cable companies. Both Unicon Ltd. And Nahata communications understood the competition and decided to come together so as to increase their markets share. This strategy helped them in cost saving through economies of scale as they could cover more areas now. It led to the overall growth of both the companies. a. Identify the enterprise growth strategy adopted by the two. b. State the benefits that the companies have after this arrangement. (any 5) | 6 |
| Ans | | |
| SAMPLE QP-2016-17 | | |
| 48 | Explain the four types of acquisition. | 4 |
| Ans | | |
| 49 | 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. | 6 |
| Ans | | |
| SAMPLE QP-2017-18 | | |
| 50 | Explain any two advantages and two disadvantages of franchising to franchisee. | 4 |
| Ans | | |

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| 51 | PATA Group as part of its Corporate Social Responsibility activity decided to invest in sports. They established an 'Archery Training Academy' at Jharkhand for tribals where students from all parts of the state could enroll. They also provided boarding and lodging facilities to the selected sports person free of cost. Besides this, the company also decided to organize computer literacy program for these candidates. (a) Identify the type of value added by PATA group (b) Give any three values communicated by PATA group | 4 |
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| Ans | | |
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SAMPLE QP-2018-19

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| 52 | Victory Ltd., set up their small manufacturing unit producing bucket seat covers in the name of 'Comfy'. The product was a great hit. After sometime, SMW- market leaders in luxury car manufacturing planned to join hands with Victory Ltd. Such a deal will allow SMW to obtain better pricing and control over the manufacturing process. Identify this type of growth strategy. | 1 |
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| Ans | | |
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| 53 | Fitness Ltd., a leading manufacturer of athletic shoes decided to join together with Fizz Up, an energy drink manufacturing company especially for sports people. The new company, Fitness Up, would help the existing companies to extend their markets as goodwill of both would be encashed. Identify this type of relationship. | 1 |
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| Ans | | |
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| 54 | 'Kindercare' is a successful brand name in the field of playschool across the country. They decided to increase the number of branches all throughout the country. For this purpose they decided to give exclusive rights to individuals in return for a regular payment. The various conditions included were: a. Interested individuals need to have Minimum 2000 feet area and are ready to invest around 10,00,000. b. Books and uniform to be procured from Kindercare headquarters only. c. Content, technical and accounting assistance would be provided. d. Teacher training for a month. Identify and explain this type business opportunity offered by 'Kindercare'. | 2 |
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| Ans | | |
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| 55 | TCW is a leading cool drink manufacturing company headquartered in Delhi. They decided to allow various vendors the opportunity to manufacture and sell their products in various parts of the country. The company will provide the raw materials for manufacturing the cool drink. Identify and explain this type of business opportunity offered by 'TCW'. | 2 |
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| Ans | | |
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| 56 | The villagers of Jamawar have been known for ages for rearing cows. Farmers have been selling milk to nearby villages. Renu studied up to grade XII in the village school and when she passed her exams with flying colours her parents sent her to the nearby city for undergraduate course. While studying there she noticed that the food habits of people were changing and cheese was used in many products. After finishing her degree she went back to her village and met the sarpanch. She explained to him the demand for cheese and if a small scale unit is established in the village to convert milk into cheese, it might benefit the entire community. Taking her advice the sarpanch found out the process of turning milk into cheese. Accordingly, they set up a unit in the village with help from the Government authorities. The farmers together decided to run the unit and use ecofriendly methods of production and packaging. They decided to brand their product by the name, "Organica Cheese". They also thought of setting aside 2% of the profits for the establishing health centers for villagers. Keeping in mind the above facts, state the sentence from the case study and explain the types of added value. | 4 |
| Ans | | |
| 57 | Business add values to goods and services by modifying them in a particular way to create a new product for greater value to customers. Comment on the concept of value addition from financial and marketing perspective. | 4 |

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| Ans | | |
| 58 | What are the different types of acquisition? | 4 |
| Ans | | |

SAMPLE QP-2019-20

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| 59 | 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 |
| Ans | | |
| 60 | Differentiate between internal expansion and external expansion. | 4 |

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| Ans | 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. |
| | 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. |
| SAMPLE QP-2020-21 | | |
| 61 | Given below are types of mergers with examples of each. Match them correctly. | |

| | Column A- Types of Mergers | Column B- Examples | |
|---------------------------------|--|---|---|
| | i. Vertical Merger | a. A watch manufacturer acquiring a cement manufacturer | |
| | ii. Market Extension merger | b. Bank of Madura merged with ICICI Bank | |
| | iii. Conglomerate | c. A textile company acquires a cotton yarn manufacturer | |
| | iv. Horizontal Merger | d. Hindustan Unilever Company acquired Lakme, it helped HUL to enter the cosmetics market | |
| | A. i-a ,ii-b ,iii- c ,iv-d B. i-c ,ii-d ,iii- a ,iv-b C. i-a ,ii-c ,iii- b ,iv-d D. i-c ,ii-b ,iii- a ,iv-d | | |
| Ans | B. i-c ,ii-d ,iii- a ,iv-b | | |
| 62 | Both mergers and acquisitions are enterprise growth strategies but how they come into existence makes them different from each other. Which of the given statements below justifies the given statement? A. Merger is always friendly, whereas acquisition is always hostile. B. Merger may be friendly, whereas acquisition is always hostile. C. Merger is always depending on synergy, whereas acquisition is never based on synergy. D. Merger is consensual, whereas acquisition is forced. | | 1 |
| Ans | D. Merger is consensual, whereas acquisition is forced. | | |
| SAMPLE QP-2021-22-TERM 1 | | | |
| SAMPLE QP-2021-22-TERM 2 | | | |
| 63 | Anil signed a contract with Phelari group to bottle and distribute their soft drink brand 'Kickapo'. The taste of this soft drink was unique and it became the most preferred soft drink consumed by teenagers. The agreement stated that Anil should use the same ingredients used by Phelari group while bottling the product. Identify and give the meaning of this type of enterprise growth opportunity. | | 2 |
| Ans | Manufacturing franchise opportunity: 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. | | |
| 64 | What is operating synergy? How is it different from financial synergy? | | |
| Ans | Operating synergy 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. Financial synergy is the direct result of financial factors such as lower taxes, higher debt capacity or better use of idle cash. | | |

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| 65 | Enlist any four main public relation tools? | |
| Ans | <p>a. News creation and distribution (media releases)</p> <p>b. Special events such as news conferences, grand openings and product launches</p> <p>c. Speeches and presentations</p> | |
| | <p>d. Educational programs</p> <p>e. Annual reports, brochures, newsletters, magazines and AV presentations</p> <p>f. Community activities and sponsorships (Any four)</p> | |
| | | |
| 66 | Elaborate on any three types of mergers? | 3 |
| Ans | <p>a. Conglomerate: A merger between firms that are involved in totally unrelated business activities. There are two types of conglomerate mergers: pure and mixed. Pure conglomerate mergers involve firms with nothing in common, while mixed conglomerate mergers involve firms that are looking for product extensions or market extensions.</p> <p>b. Horizontal merger: A merger occurring between companies in the same industry. Horizontal merger is a business consolidation that occurs between firms which operate in the same space, often as competitors offering the same goods or service.</p> <p>c. Market extension mergers: A market extension merger takes place between two companies that deal in the same products but in separate markets. The main purpose of the market extension merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base.</p> <p>d. Product extension mergers: A product extension merger takes place between two business organizations that deal in products that are related to each other and operate in the same market. The product extension merger allows the merging companies to group together their products and get access to a bigger set of consumers. This ensures that they earn higher profits.</p> <p>e. Vertical merger: A merger between two companies producing different goods or services for one specific finished product. A vertical merger occurs when two or more firms, operating at different levels within an industry's supply chain, merge operations. (Any three)</p> | |
| | | |
| 67 | <p>Read the following article from a Business Newspaper and answer: "Fone India Ltd. is the second largest mobile network operator in India by subscriber base, after Virel. Huber Evel Ltd (HEL) was another leading mobile operator in India. In the year 2007, Fone India Ltd., acquired a 52 % stake in HEL. Fone India's main motive in going in for the deal was its strategy of expanding into emerging and high growth markets which will lead to improved profitability in the business."</p> <p>a. Quoting the lines from the passage identify and explain reasons for taking up a stake by Fone India Ltd.,</p> <p>b. Also explain any three reasons apart from the one identified in part (a).</p> | 5 |

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| Ans | <p>a. “deal was its strategy of expanding into emerging and high growth markets” - Entry into new markets: a company can enter the market avoiding too much competition. “lead to improved profitability in the business” - Improved profitability: The acquisition will lead to increased profits for the 2 + 3 8 firm.</p> <p>b. Synergy - synergy between the participating firms determines the increase in value of the combined entity. Acquiring new technology - By buying another company with unique technology, the buying company can maintain or develop a competitive edge. Acquiring a competency - To acquire a competency or capability that they do not have. Access to funds - The newly acquired company can be cash rich which will help both the firms. Tax benefits - If a loss making company is being acquired, it can lead to reduced tax liabilities. (Any three)</p> | |
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SAMPLE QP-2022-23

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| 68 | In the year 2012, the social media application “Chowpal” acquired “Socialite” at a purchase value of \$1 billion. Both the entities operated in the social media industry and offered similar products as part of their photo-sharing services. However, Chowpal | 1 |
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| | intended to further bolster its market position in the social media space, and the acquisition of Socialite exactly fitted in its scheme of the plan. The merger eventually helped Chowpal in increasing its market share, eliminating competition, and gaining access to a wider audience. Identify the type of merger: a. Vertical merger b. Horizontal merger c. Market extension merger d. Product extension merger | |
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| Ans | b. horizontal merger | |
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| 69 | <p>Assertion (A): In franchising there is usually a much higher likelihood of success when an individual opens a franchise as opposed to a mom-and-pop business. Reason (R): It runs on a proven business formula that is already in place.</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true but Reason (R) is false.</p> <p>d. Assertion (A) is false but Reason (R) is true.</p> | |
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| Ans | a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) | |
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| 70 | The merger of Techno Fit and Let’s Konnect was due to the rising competition with Arihant Tech . The market was slowly captured by Arihant Tech, due to its policy of providing free service in the first 6 months. Both Techno Fit and Let’s Konnect couldn't stand the price war between the companies in the telecom sector and decided to come together so as to increase their market share. This strategy helped them in cost saving through economies of scale as they could cover more areas now. It led to the overall | |
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| | growth of both the companies. Identify and explain the growth strategy adopted above by the telecom operators, Techno Fit and Let's Konnect. | |
| Ans | The telecom operators adopted a market extension merger strategy. Market extension merger strategy: is a type of merger that takes place between two companies that deal in the same products but in separate markets. The main purpose of this type of merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base. | |
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| 71 | Varied reasons are cited by firms for joining hands with another company to enhance their growth. Analyse any two reasons for the same. | |
| Ans | <ol style="list-style-type: none"> 1. Synergy 2. Acquiring new technology 3. Improved profitability 4. Acquiring a competency 5. Entry into new markets 6. Access to funds 7. Tax benefits (explain any two in detail) | |
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| 72 | <p>Kavita started a boutique named 'Stylo queens'. She replaced old sewing machines with the new one's during the pandemic to manufacture masks and PPE kits. Gradually her boutique became popular and seeing the swelled-up demand for her products she further installed extra machines to cater to the growing demand of the increasing customers. From the profits earned, she decided to further expand the business by starting a new business of cushion covers and bed sheets.</p> <ol style="list-style-type: none"> 1. Identify the type of expansion mentioned above. 2. What is the net result of such an expansion? 3. Explain the expansion discussed above. | |
| Ans | 1. The type of expansion mentioned is internal expansion. | |
| | <ol style="list-style-type: none"> 2. The net result of internal expansion is the increase in business activities and broadening the present capital structure. 3. Internal expansion: It is a slow and time-consuming process which is a result of a gradual increase in the activities of the enterprise. | |
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| 73 | Franchising is advantageous for both franchisor and franchisee. Explain five advantages of franchising for the franchisee. | |

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| Ans | <p>The advantages of franchising for the franchisee are as follows:</p> <ol style="list-style-type: none"> 1. Product acceptance: The franchisee usually enters into a business that has an accepted name, product or service. He/she doesn't have to spend resources to establish the credibility of the business and create a market for his product. The credibility already exists based on the years the franchise has existed. 2. Management expertise: Managerial expertise is provided to the franchisee. Each new franchisee is often required to take a training program on all aspects operating the franchise. This training could include classes in accounting, personnel management, marketing and production. 3. Capital requirements: Franchise offers an opportunity to start a new venture with upfront support from franchisor, which saves considerable time and capital of the franchisee. 4. Knowledge of the market: Franchisors are well aware of the existing market conditions. With their experience and knowledge, they can provide advice and assistance to the franchisees for carving out a market for themselves. 5. Operating and structural controls: Two problems that many entrepreneurs have in starting a new venture are maintaining quality control of products/services and establishing effective managerial controls. The franchisor helps the franchisee to combat both the problems. | |
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SAMPLE QP-2023-24

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| 74 | How is franchising a better option for external expansion in case of start-ups? | |
| Ans | | |
| 75 | What is the most essential component of mergers? Distinguish between the two forms of this component. How does this factor play a key role in deciding whether any organization should go for a merger? | |
| Ans | | |
| 76 | Differentiate between 'merger' and 'acquisition' as forms of external expansion. Explain the ways in which one business can acquire another. | |
| Ans | | |

YEAR 2024

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| 77 | <p>Nipro Electronics was the leading player in the electronics industry for the last fifteen years. A few years back, Mobe Electronics', a smaller company as compared to Nipro Electronics entered the market. Nipro Electronics started losing its market share to Mobe Electronics' day-by-day due to its innovative products. To maintain or develop a competitive edge and to upgrade its technology, Nipro Electronics decided to acquire Mobe Electronics under friendly terms but that failed. Now it decided to buy majority shares of Mobe Electronics' and hence initiated the acquisition. From the following, identify the type of acquisition which Nipro Electronics adopted after failing on friendly terms:</p> <ol style="list-style-type: none"> Friendly acquisition Hostile acquisition | 1 |
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| | c) Reverse acquisition d) Back-flip acquisition | |
| Ans | | |
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| 78 | <p>Assertion (A): Mergers and Acquisitions is a potential strategy for ensuring the accelerated growth of business. Reason (R): (A) Growing through Mergers and Acquisitions usually turns out to be less expensive as compared with internal expansion, particularly when the replacement cost of asset is higher than the market value of the targeted assets.</p> <p>Choose the correct option from the following:</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A) c. Assertion (A) is true but Reason (R) is false. d. Assertion (A) is false but Reason (R) is true.</p> | 1 |
| Ans | | |
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| 79 | Explain the advantages a franchisor gains through franchising which are related to 'expansion risk' and 'cost advantages' that result from extensive buying power. | 2 |
| Ans | | |
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| 80 | Explain Number of buyers' and Types of buyers as considerations related to market while selecting a channel of distribution. | 2 |
| Ans | | |
| | | |
| 81 | Give the meaning of 'Franchise Agreement'. Explain the four main ingredients of a Franchise Agreement'. | 5 |
| Ans | | |
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