

Strictly Confidential: (For Internal and Restricted use only)
Senior School Certificate Examination-2020
Marking Scheme – ENTREPRENEURSHIP
(SUBJECT CODE :066) (PAPER CODE : HMJ)

General Instructions: -

1. You are aware that evaluation is the most important process in the actual and correct assessment of the candidates. A small mistake in evaluation may lead to serious problems which may affect the future of the candidates, education system and teaching profession. To avoid mistakes, it is requested that before starting evaluation, you must read and understand the spot evaluation guidelines carefully. **Evaluation is a 10-12 days mission for all of us. Hence, it is necessary that you put in your best efforts in this process.**
2. Evaluation is to be done as per instructions provided in the Marking Scheme. It should not be done according to one's own interpretation or any other consideration. Marking Scheme should be strictly adhered to and religiously followed. **However, while evaluating, answers which are based on latest information or knowledge and/or are innovative, they may be assessed for their correctness otherwise and marks be awarded to them.**
3. The Head-Examiner must go through the first five answer books evaluated by each evaluator on the first day, to ensure that evaluation has been carried out as per the instructions given in the Marking Scheme. The remaining answer books meant for evaluation shall be given only after ensuring that there is no significant variation in the marking of individual evaluators.
4. Evaluators will mark(✓) wherever answer is correct. For wrong answer 'X' be marked. Evaluators will not put right kind of mark while evaluating which gives an impression that answer is correct and no marks are awarded. **This is most common mistake which evaluators are committing.**
5. If a question has parts, please award marks on the right-hand side for each part. Marks awarded for different parts of the question should then be totaled up and written in the left-hand margin and encircled. This may be followed strictly.
6. If a question does not have any parts, marks must be awarded in the left-hand margin and encircled. This may also be followed strictly.
7. If a student has attempted an extra question, answer of the question deserving more marks should be retained and the other answer scored out.
8. No marks to be deducted for the cumulative effect of an error. It should be penalized only once.
9. A full scale of marks **0-70** has to be used. Please do not hesitate to award full marks if the answer deserves it.
10. Every examiner has to necessarily do evaluation work for full working hours i.e. 8 hours every day and evaluate 20 answer books per day in main subjects and 25 answer books per day in other subjects (Details are given in Spot Guidelines).
11. Ensure that you do not make the following common types of errors committed by the Examiner in the past:-
 - Leaving answer or part thereof unassessed in an answer book.
 - Giving more marks for an answer than assigned to it.
 - Wrong totaling of marks awarded on a reply.
 - Wrong transfer of marks from the inside pages of the answer book to the title page.
 - Wrong question wise totaling on the title page.
 - Wrong totaling of marks of the two columns on the title page.
 - Wrong grand total.
 - Marks in words and figures not tallying.
 - Wrong transfer of marks from the answer book to online award list.
 - Answers marked as correct, but marks not awarded. (Ensure that the right tick mark is correctly and clearly indicated. It should merely be a line. Same is with the X for incorrect answer.)

- Half or a part of answer marked correct and the rest as wrong, but no marks awarded.
12. While evaluating the answer books if the answer is found to be totally incorrect, it should be marked as cross (X) and awarded zero (0)Marks.
 13. Any unassessed portion, non-carrying over of marks to the title page, or totaling error detected by the candidate shall damage the prestige of all the personnel engaged in the evaluation work as also of the Board. Hence, in order to uphold the prestige of all concerned, it is again reiterated that the instructions be followed meticulously and judiciously.
 14. The Examiners should acquaint themselves with the guidelines given in the Guidelines for spot Evaluation before starting the actual evaluation.
 15. Every Examiner shall also ensure that all the answers are evaluated, marks carried over to the title page, correctly totaled and written in figures and words.
 16. The Board permits candidates to obtain photocopy of the Answer Book on request in an RTI application and also separately as a part of the re-evaluation process on payment of the processing charges.

MARKING SCHEME 98 (Series HMJ)

ENTREPRENEURSHIP (066), 2020

Q.No.	Question with expected answers	Marks
	SECTION A	
Q. 1	A prospective entrepreneur has to find an opportunity which would be suitable for him/her in terms of _____ and _____.	1
Ans	Customers to be served, Profits expected	0.5 marks for each correct answer 0.5 x 2 = 1
Q. 2	_____ is a simple but powerful message that helps to communicate an enterprise's goals, mission, distinct qualities and so much more.	1
Ans	Tagline	1
Q. 3	The Securities and Exchange Board of India performs various functions which makes it very powerful. But to create accountability there is an appeal process which lies with _____ and _____.	1
Ans	Securities Appellate Tribunal , Supreme Court Note: In case the candidate has given any other answer it should be marked correct.	0.5 marks for each correct answer 0.5 x 2 = 1
OR	_____ is an equity based investment in a growth-oriented, small to medium sized business, which in most cases would not qualify for receiving bank loans.	1
Ans	Venture Capital	1
Q. 4	A viable venture is born when knowledge, skills, _____ and _____ is strategically applied.	1
Ans	Competency, Creativity	0.5 marks for each correct answer 0.5 x 2 = 1
Q. 5	The organization, management, membership and functioning of Stock Exchange in India is governed by the provisions of _____.	1
Ans	The Securities Contracts (Regulation) Act, 1956	1
Q. 6	Piyush and Ramesh are engaged in wholesale business of pulses. They buy pulses directly from farmers in bulk and sell in small lots to the retailers. Both of them know their roles and responsibilities. They have also laid down the procedure for solving conflicts between them, if any. All the above information is described in an important component of a business plan. The component is _____.	1
Ans	Organisational Plan	1

	State whether the following statements are true or false:	
Q. 7	The secondary market offers opportunity to an entrepreneur to issue additional capital as and when required.	1
Ans	False	1
Q. 8	Business environment consists of three levels, i.e. SWOT analysis level, micro level and macro level.	1
Ans	False	1
Q. 9	Ravi created a portable incinerator to be installed in the houses. The dry waste generated at homes can be converted by it into ash that can be used as manure for plants. He has installed five prototypes of this incinerator in his society to test its working and to prove its value. Ravi is in the verification stage of his product.	1
Ans	True	1
Q. 10	Devidayal Ltd. is into manufacturing of stainless steel and copper utensils from last 20 years and has a good reputation in the market. The company needs funds for expansion. It decided to bring a new issue of shares worth Rs. 1 crore. Through a circular, these shares will be proposed to the existing shareholders and in case they are not willing to subscribe, they can renounce the same in favour of another person. Devidayal Ltd. is raising capital through private placement.	1
Ans	False	1
Q. 11	Direct sale of its securities by a company to a limited number of sophisticated investors is known as Rights Issue.	1
Ans	False	1
	OR	
	When total current assets exceed total current liabilities it refers to Gross Working Capital.	1
Ans	False	1
Q. 12	'Free home delivery of food' is a trading related idea.	1
Ans	False	1
	Multiple choice questions	
Q. 13	In the drive to make the world 'plastic free', Aru designed a machine to convert single-use plastic into very small granules that could be used for making low cost roads. Her machine worked with the help of solar energy. She put her idea before the venture capitalists by making an entertaining slide show and oral narration. She also presented the executive summary of her proposed venture and a few key graphs. The format of business plan used by Aru is : (A) Elevator pitch (B) A pitch deck with oral narrative (C) A written presentation for external stakeholders (D) An internal operational plan	1
Ans	B	1
Q. 14	The 'marketing strategy' and 'action plan' comprise of decisions pertaining	1

	to which of the following: (A) Potential hazards present in the competitive environment (B) Product, place, price, promotion (C) Customer's characteristics (D) Quantifying goals of the organization	
Ans	B	1
Q. 15	Which of the following is not a component of product mix : (A) Branding (B) Labelling (C) Packaging (D) Promotion	1
Ans	D	1
Q. 16	Harjot is planning to set up a unit for manufacturing biodegradable bags of different sizes by processing the sugarcane bagasse. She also plans to be fully relieved of the problem of distribution and thus decides to hand over her entire output to the selling agents. The channel of distribution used by Harjot is: (A) Zero level (B) One level (C) Two level (D) Three level	1
Ans	D	1
Q. 17	Raghav sells an air purifier for Rs. 2,100. If the purchase price of the product is 80% of its selling price, the profit earned by Raghav is : (A) Rs.1,700 (B) Rs.1,680 (C) Rs. 420 (D) Rs. 400	1
Ans	C	1
SECTION – B		
Q. 18	What is meant by environment scanning? Why does an entrepreneur need to scan the environment?	2
Ans	Meaning: Careful monitoring of an organization's internal and external environment for detecting early signs of opportunities and threats that may influence its current and future plans is called environment scanning. Need: The right information, combined with the right adaptations, can determine an organization's future viability. If an entrepreneur is not aware of the environment surrounding his/her business, he/she is sure to fail. OR	1 mark for meaning + 1 mark for need
	Description of business venture is an important component of a business plan. Physical infrastructure is one of the key elements covered under this. State about (i) utilities, and (ii) production process as part of the physical infrastructure.	2
Ans	1. Utilities: These include: power, fuel, water, gas, electricity, etc. Business plan needs to clearly state: (a) type of utilities required, (b)	0.5 mark for mentioning <i>only</i>

	<p>load sanctioned (c) sources and quality of water used quantum of coal, coke, oil etc. required and the suppliers of the same.</p> <p>2. Production process: A mention of the process involved in production, the installed licensed capacity of the plant, the technology to be used, whether available locally or imported, shifts involved, needs to be present in the business plan.</p>	<p>the utilities. 1 mark to be given if complete explanation is given.</p> <p>1 mark for complete explanation</p> <p>0.5 + 0.5 + 1=2</p>
Q. 19	<p>Sukrit is a green entrepreneur who has launched a new water conserving apparatus for urban houses by the name of 'JALASHAY'. This apparatus is a compact system to be installed on the roof of the houses to harvest rainwater. The uniqueness of the system is that it has an inbuilt water treatment mechanism that makes the water ready for use as soon as it is collected.</p> <p>Sukrit has set up laboratories to test the water quality with the established standards. By doing so, he is paying specific attention to one of the important elements of the operational plan.</p> <p>Identify the element and explain one more element of this plan.</p>	2
Ans	<p>Identification of the element given in the statement of the question - Inspection</p> <p>(Any one of the following element)</p> <p>a. Routing – it is a process concerned with determining the exact route from raw material to finished product.</p> <p>b. Scheduling – it means fixing the time, day, date when the operation has to be commenced and completed.</p> <p>c. Dispatching – this is the process of initiating production with preconceived production plan.</p> <p>d. Follow up – it relates to evaluation and appraisal of work performed.</p> <p>e. Shipping – this gives the chronological steps involved in completing the business transaction efficiently and profitably.</p>	1 mark for identification and 1 mark for explanation of one more element
Q. 20	<p>How does stock exchange ensure the safety of the investment of an investor? Explain by giving any two reasons.</p>	2
Ans	<p>1. Dissemination of useful information: Stock exchange publishes useful information regarding price lists, quotations, etc., of securities through newspapers and journals. The interested persons buy and sell their securities on the basis of information provided by the stock exchanges.</p> <p>2. Investors' interests protected: Stock exchanges formulate rules and regulations so that members may not exploit the investors.</p>	1 + 1

	<p>3. Genuine guidance about the securities listed: The investors can safely depend upon the information provided by the stock exchanges.</p> <p>(Any two) (If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	
Q. 21	Giving any two reasons, explain how franchising is a viable option for the growth of start-up firms.	2
Ans	<p>1. Franchising offers startups an established product in the market for a royalty which helps them.</p> <p>2. Startups take up training to understand the product and franchisors make franchises fully conversant with the product/services that they have to offer for a fee. It is very important that the Sales-man must know his/her product. In this case, start-ups are the sales person.</p> <p>3. The start-ups can grow fast without having to increase labour, operating costs and blocking running expenses because normally buyers straight walk up to them.</p> <p>4. In practical Franchises work for the benefit of franchisors.</p> <p>(Any Two Reasons)</p>	1 + 1
OR	While selecting a distribution channel, the entrepreneur has to take into consideration various factors relating to product, market, company and government. Explain any two market-related factors.	2
Ans	<p>Market related factors:</p> <ol style="list-style-type: none"> 1. Number of buyers- Services of middlemen when buyers are large Direct channel when buyers are less 2. Types of buyers- General buyers – more middlemen Industrial buyers- direct channel 3. Buying habits – when goods are sold on credit- middlemen 4. Buying Quantity- Goods purchased in smaller quantity- middlemen 5. Size of market- Market area scattered – use of middlemen <p>(Any two) (If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	1 + 1
Q. 22	BarleAgro Ltd. is a famous name for bottled beverages like cold coffee, flavoured milk, iced tea, etc. Now the company is planning to introduce a range of fresh fruit smoothies giving competition to big multinational and Indian brands. The company has a very effective marketing department. Create a tagline and an individual brand name for the upcoming product range of BarleAgro Ltd.	2
Ans	Any relevant tagline and brand name.	1 mark for Individual Brand Name +1

		mark for tagline
Q. 23	Understanding lifestyle changes and attitude towards work and leisure, Flizon India Ltd. started an online shopping portal offering same day delivery to its customers without any extra charge, on orders above Rs.500. The company also installed an online payment security system where there is end-to-end encryption of the banking details of the customer. Identify and state the two environmental factors discussed above.	2
Ans	Social Factor- Free home delivery, changes in lifestyle, attitude towards work and leisure. Technological – Secured online banking transactions	0.5 mark for identification and 0.5 mark for statement 1 + 1 = 2
Q. 24	State how obtaining venture capital is different from raising loan from a lender. Also state any two areas where venture-capitalists decide to invest.	2
Ans	Obtaining venture capital is substantially different from raising debt or a loan from a lender. Lenders have a legal right to interest on a loan and repayment of the capital, irrespective of the success or failure of a business. But, a venture capital is invested in exchange for an equity stake in the business. (Any two areas where venture capitalists decided to invest) a. They may invest in any of the many opportunities presented to them. b. Looks for the extremely rare, yet sought after qualities such as innovative technology, potential for rapid growth, a well-developed business model, an impressive management team c. Looks for an ‘exit’ in the time frame of typically 3-7 years d. Inclined towards ventures with exceptionally high growth potential.	1 + ½ + ½
SECTION C		
Q. 25	There are various sources of idea fields like natural resources, existing products or services, creative efforts, etc. The entrepreneurs who look at ways to make an existing product or service better, have a number of reasons for this. Giving example, explain any two such reasons.	3
Ans	1. Keep up with the competition: If you provide services or products in an industry that is constantly changing, it's important to stay aware of the latest in industry trends so that one can continue to be competitive. 2. Increase sales: The main reason people will change and improve their existing product line is to increase their sales and ultimately, their revenue. By adding to the product line, one can take the company in a new direction by increasing sales. 3. Working on existing products and services can generate a number of ideas to improve them or to provide cheaper substitutes or to bring about a reduction in price. (Any two points with suitable examples)	1 mark for example 1 mark each for reason

	(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)	
	OR	
	Explain ‘product identification’, ‘application and use’ and ‘level of operation’ as important steps in idea and opportunity assessment.	3
Ans	<ol style="list-style-type: none"> 1. Product Identification – an idea should lead the entrepreneur to a definite product/service which he can sell. He should also see whether this product is already available in the market or not. If it is, then, identify the reason for introducing the same product. 2. Application and use- ideas should be examined for their real life use and application. If it already exists in the market, then find out its present use and think of modifying it for better use. 3. Level of operation- depending upon the use of the product/service the entrepreneur will produce it in a cottage industry or a small scale industry or a large scale industry. 	1 x 3 = 3
Q. 26	<p>Rashi has done her Acharya degree in Ayurveda from Trichy. She is planning to start a small scale enterprise of making herbal face care and body care products by the name ‘Skinatural’. She makes use of her extensive knowledge about herbs to create products that can suit all skin types. She is also taking care of the allergen factor as the products have to be applied on skin. She is planning to offer only dry mix of the herbs to be blended by the user at the time of use.</p> <p>Create an introduction for her product relating to the ‘Product details’ in the business plan which will help her to attract the customers.</p>	3
Ans	<p>Any three product details from the following with statement based on the information given in the question:</p> <ol style="list-style-type: none"> 1. Product utility 2. Product Range 3. Product design 4. USP of the product 	1 x 3 = 3
Q. 27	<p>Fa-Hein, a tourist from China came to India with his family. For a week-long stay in Mumbai, he booked two rooms in a well-reputed international hotel ‘Milton’. During his stay, he experienced some problems in the services of the hotel. He complained to the manager about the same. The manager tried to resolve them to the best of his ability.</p> <p>Fa-Hein, on returning back to China wrote a mail to the Chief Executive Officer (CEO) of Milton Hotel, giving his feedback and stating his dissatisfying experience at their hotel. The CEO apologized for the same and gave Fa-Hein a complimentary stay with family for a week in any hotel of the ‘Milton group.’</p> <p>Identify the process which carefully manages the information of the individual customers in order to manage the loyalty. Also explain the benefits of this process to the businesses.</p>	3
Ans	<p>The process is Customer Relationship Management.</p> <p>Benefits of Customer Relationship Management are:</p>	1 mark for identification + 2 marks for

	<p>1. The biggest benefit most businesses realise when moving to a CRM system comes directly from having all your business data stored and accessed from a single location.</p> <p>2. Other benefits include a 360 degree view of all the customer information, knowledge of what customers and the general market wants and integration with existing applications to consolidate all business information.</p>	benefits
Q. 28	'Meow Milk Center' sells 3,000 bottles of flavoured milk per year. Cost of one milk bottle is Rs.60. Holding cost per annum is Rs. 12. Ordering cost is Rs. 500 per order. Calculate the 'Economic Order Quantity'.	3
Ans	<p>C= Rs. 12</p> <p>D= 3,000 bottles</p> <p>P= Rs. 500</p> $EOQ = \sqrt{\frac{2 \times \text{annual demand} \times \text{ordering cost per unit}}{\text{Carrying cost per unit}}}$ $\sqrt{\frac{2dp}{c}}$ $= \sqrt{2 \times 3000 \times 500 / 12}$ <p>= 500 units.</p>	1 mark for formula + 2 marks for working
Q. 29	Explain 'production budget', 'cash budget' and 'project budget' as types of budgets.	3
Ans	<p>1. Production budget – an estimate of the number of units that must be manufactured to meet the sales goals. It also estimates the various costs involved with manufacturing those units, including labor and material.</p> <p>2. Cash flow budget – used to determine whether an organization long term investments such as new machinery, replacement machinery, new plants, products and research developments projects are work pursuing.</p> <p>3. Project budget – a prediction of the costs associated with a particular company project. These costs include labour, materials, and other related expenses. The project budget is often broken down into specific tasks, with task budgets assigned to each.</p> <p>Note: In case the candidate has given any other answer it should be marked correct.</p> <p style="text-align: center;">OR</p>	1 x 3 = 3
	Explain 'Stock Keeping Unit Code', 'Lead time' and 'Safety aspects' as items that make up the inventory.	3
Ans	1. Stock keeping unit code:	1 x 3 = 3

	<p>Each and every item in the inventory is to be identified with a unique code which signifies certain aspects of the item. It can be color, size, weight etc.,</p> <p>2. Lead time: Lead time to manufacture or procure an item depends on many factors. Combined effect of these factors like standard or special raw material, processing time, scheduling of machines, distance between source and user point make up the lead time for an item.</p> <p>3. Safety aspects: Some of the items are hazardous in nature and special precautions have to be taken in their storage.</p>	
	SECTION – D	
Q. 30	Why is a business plan valuable for an entrepreneur? Explain with the help of any four points.	4
Ans	<p>The importance of business plan is as follows–</p> <p>1. Helps in determining the viability of the venture in a designated market.</p> <p>2. Helps in providing guidance to the entrepreneur in organizing his/her planning activities such as: i) identifying the resources required ii) enabling obtaining of licenses if required etc. iii) working out with legal requirements as desired by the government.</p> <p>3. Helps in satisfying the concerns, queries, and issues of each group of people interested in the venture.</p> <p>4. Provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenarios and plan ways to avoid obstacles.</p> <p>5. Business plan helps to realize the obstacles which cannot be avoided or overcome, suggesting to terminate the venture while still on paper without investing further time and money.</p> <p>6. Business plan reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.</p> <p>(Any four points)</p>	1 x 4
Q. 31	Explain any four reasons for failure of merger and acquisition.	4
Ans	<p>Reasons for failure of Merger and Acquisitions (M & A) are as follows:</p> <p>1. Unrealistic price paid for target: The process of M&A involves valuation of the target company and paying a price for taking over the assets of the company.</p> <p>2. Difficulties in cultural integration: Every merger involves combining of two or more different entities. These entities reflect different</p>	1 x 4

	<p>corporate cultures, styles of leadership, differing employee expectations and functional differences.</p> <p>3. Overstated synergies: Mergers and acquisitions are looked upon as an important instrument for creating synergies through increased revenue, reduced costs and reduction in networking capital and improvement in the investment intensity. Overestimation for these can lead to failure of mergers.</p> <p>4. Integration difficulties: Companies very often face integration difficulties, i.e., the combined entity has to adapt to a new set of challenges given by the changed circumstances.</p> <p>5. Poor business fit: Mergers and acquisitions also fail when the products or services of the merging entities do not naturally fit into the acquirer's overall business plan.</p> <p>6. Inadequate due diligence: Due diligence is a crucial component of the M&A process as it helps in detecting financial and business risks that the acquirer inherits from the target company.</p> <p>7. High leverage: One of the most crucial elements of an effective acquisition strategy is planning how one intends to finance the deal through an ideal capital structure. The acquirer may decide to acquire the target through cash. To pay the price of acquisition, the acquirer may borrow heavily from the market. This creates a very high leveraged structure and increases the interest burden of the company.</p> <p>8. Boardroom split: When a merger is planned, it is crucial to evaluate the composition of the boardroom and compatibility of the directors.</p> <p>9. Regulatory issues: The entire process of merger requires legal approvals. If any of the stakeholders are not in favour of the merger, they might create legal obstacles and slow down the entire process.</p> <p>10. Human resources issues: A merger or acquisition is identified with job losses, restructuring and the imposition of a new corporate culture and identity. This can create uncertainty, anxiety and resentment among the company's employees. These HR issues are crucial to the success of M&As.</p> <p>(Any four points)</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	
OR	Explain any four requirements for 'Value Chain Management'.	4
Ans	<p>1.Coordination and collaboration: To increase efficiency within an organization, coordination and collaboration is essential. Coordinate work groups to ensure efforts are not duplicated.</p> <p>2. Technology investment: Technology plays a large role in manufacturing and distribution. With outdated technology, such as old</p>	1 x 4 = 4

computers or machinery.

3. Organizational process: In value chain management, every aspect of an organization's process is identified.

4. Leadership: Strong leaders are crucial to the success in value chain management. Good leaders earn the respect of their employees through sound management practices.

5. Employee/human resources: A central hub of information on benefits, company policies, hiring and conflict management is also necessary for a corporation to function properly.

6. Organizational culture and attitudes: Organizations that foster strong cultural identity with positive attitudes tend to attract and retain top employees. Regular corporate sponsored activities are suggested to help build cultural unity and keep attitudes positive while boosting productivity.

(Any Four)

Note: In case the candidate has given any other answer it should be marked correct.

Q. 32

Bright Lights Pvt. Ltd. started a business of making three varieties of bulbs. From the following information, calculate breakeven for the three varieties of bulbs for the company in units :

Particulars	LED bulb Zero Watt	LED bulb 10 Watts	LED bulb 20 Watts
Sales Price (Rs)	80	45	60
Variable Cost (Rs)	40	15	20
Sales Mix	50%	20%	30%

Fixed costs for the production process is Rs. 76,000.

4

Ans

	LED bulb Zero watt	LED bulb 10 watt	LED bulb 20 watt
Sales Price ₹	80	45	60
Variable Cost ₹	40	15	20
Contribution ₹	40	30	40
Sales mix	50%	20%	30%
Contribution x Sales mix	20	6	12

2 marks for working and

	<p>Weighted Contribution = 20+6+12= Rs.38</p> <p>BEP = Fixed cost/WACM = 76,000/38= 2000 units</p> <p>In Units:</p> <p>LED bulb Zero watt = 50% of 2000 = 1000 units</p> <p>LED bulb 10 watt = 20% of 2000 = 400 units</p> <p>LED bulb 20 watt = 30% of 2000 = 600 units.</p>	<p>calculation of weighted contribution</p> <p>0.5 mark for total BEP +</p> <p>0.5 mark each for individual break even of the three varieties</p>
	SECTION – E	
Q. 33	Explain any six components of a financial plan.	6
Ans	<p>A) Proforma investment decisions: This part of financial plan relates to how the enterprise's funds are invested in different assets so that the enterprise is able to earn the highest possible returns on investment. The entrepreneur should mention investment required in for: i) Land and building ii) Machinery and plant iii) Installation cost iv) Preliminary expenses v) Margin for working capital vi) Expenses on research and development vii) Investment in short-term assets viz. raw material, level of cash, etc. This part helps to understand the total amount of finance required by the entrepreneur. Inadequate funds or excess funds, both have the capacity to severely damage the financial fortune of a business. Therefore, these decisions must be taken with utmost care.</p> <p>B) Proforma financing decisions: This section summarizes all the projected sources of funds available to the venture to raise finance. Typically, sources of funds are: i) owners i.e. Owner's funds ii) outsiders i.e. Borrowed funds The entrepreneur's job is to ensure the selection of the best overall mix of financing for the enterprise so that: a) the cost of capital and the financial risk stands minimized, b) return on investment and profitability stands maximized.</p> <p>C) Proforma income statement: The proforma income statement is the projected net profit calculated from projected revenue minus projected costs and expenses. Basically, it summarizes all the profit data during the first year of operations of the new enterprises.</p> <p>D) Proforma cash flow: Profit and cash flow are not the same, Proforma cash flow reflects the projected cash available with the enterprise as a result of subtracting projected cash disbursements from projected cash accumulations. Cash flows only when actual payments are received or made. Mere sale which might be on credit, will not generate cash.</p> <p>E) Proforma balance sheet: This document helps the enterprise to reflect the position of the business at the end of its first year. A summary of the projected assets, liabilities and net worth of the entrepreneur is depicted through proforma balance sheet.</p> <p>F) Break–even point: Every firm wants to maximise its profits. The</p>	<p>0.5 for heading + 0.5 for explanation for each point</p> <p>1 x 6</p>

	<p>Breakeven point is that level of volume of production at which firm neither makes a profit nor a loss.</p> <p>G) Economic and social variables: In view of the social responsibility of business, the abatement costs, i.e. the cost of controlling the environmental damage should also be stated in the plan.</p> <p>(Any six points)</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p> <p style="text-align: center;">OR</p>	
	<p>In addition to ‘number of persons’, ‘profit sharing’ and ‘agreement’, there are various other features of partnership. Explain any six such features.</p>	6
Ans	<p>1. Unlimited liability: Mostly, the liability of the partners of a firm is unlimited. Their personal properties can be disposed off to pay the debts of the firm if required. The creditors can claim their dues from any one of the partner or from all of them, meaning partners are liable:</p> <ul style="list-style-type: none"> • Individually • Collectively <p>2. Implied authority: There is an implied authority that any partner can act on behalf of the firm. The firm stands bound by the acts of partners.</p> <p>3. Mutual agency: The business of partnership can be carried on by all the partners or any one of them acting for all. Thus, every partner is principal as well as agent of other partners and of the firm. Thus, (i) Each partner is liable for acts performed by other partners, (ii) Each partner can bind other partners and the firm by his acts done in the ordinary course of business.</p> <p>4. Utmost good faith: Every partner is supposed to act honestly and give proper accounts to other partners. Thus, mutual faith and confidence in one another is the main strength of partnership.</p> <p>5. Restriction on transfer of shares: No partner can sell or transfer his share to anybody else without the consent of the other partners. By giving a notice for dissolution of the firm, a partner can show intention to discontinue as partner.</p> <p>6. Continuity: A partnership continues up to the time that 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 for in the partnership deed.</p> <p>(If an examinee has not given the headings as above but has given the correct explanation, full credit will be given)</p>	<p>0.5 for heading + 0.5 for explanation for each point</p> <p>1 x 6 = 6</p>

Q. 34	Differentiate between 'Penetrating pricing' and 'Skimming pricing'. State the situations when 'Penetrating pricing' and 'Skimming pricing' are useful. Also state any two disadvantages each for Penetrating pricing and Skimming pricing.	6
Ans	<p>Difference:</p> <p>Penetration pricing is a pricing strategy where the price of a product is initially set at a price lower than the eventual market price to attract new customers. The strategy works on the expectations that customers will switch to the new brand because of the lower price.</p> <p>Under Skimming pricing the price of a product is initially set at a higher price so that fewer sales are needed to break even. It is usually employed to reimburse the cost of investment of the original research.</p> <p>Situations where Penetration and Skimming are useful:</p> <p>Penetration: it is useful for low priced goods. It is associated with the marketing objective of increasing market share or sales volume rather than to make profit in the short term.</p> <p>Skimming: it caters to the consumers who are quality conscious rather than price conscious. In this pricing method, products are sold at a high price, sacrificing high sales to gain a high profit.</p> <p>Disadvantages of Penetration pricing:</p> <ol style="list-style-type: none"> 1. It establishes long term expectations for the product and image preconceptions for the brand and company. This pricing attracts only the switchers and they will switch again as the price rises. 2. Low profit margin may not be sustainable long enough for the strategy to be effective. <p>Disadvantages of Skimming pricing:</p> <ol style="list-style-type: none"> 1. This strategy can backfire if there are close competitors and they also introduce same products at lower price then consumers will think that the company always sells the products at higher prices which will result in consumers abandoning other products of the company also. 2. Price skimming is not a viable option when there are strict legal and government regulations regarding consumer rights. 3. If the company has history of price skimming then consumers will never buy a product when it is newly launched, they would rather wait for a few months and buy the product at lower price. <p>(Any two)</p>	2 + 2 + 2