

S.No	Questions and answers	Marks
Q.1	List any two categories of persons that are required to obtain registration from 'Central Excise Department'.	$\frac{1}{2}+\frac{1}{2}=1$
Ans	(Any Two) 1. Every manufacturer of dutiable excisable goods. 2. First and second stage dealers or importers desiring to issue cenvatableinvoices. 3. Persons holding bonded warehouses for storing non-duty paid goods. 4. Persons who obtain excisable goods for availing end-use based exemption.	
Q.2	Distinguish between 'Joint stock company 'and a 'Joint Hindu Family' on the basis of liability of members.	1
Ans	In case of a Joint Stock Company the liability of members is limited whereas in case of HUF liability of karta is unlimited and that of other members is limited.	
Q.3	Balwant singh of Bikaner thought of air-conditioned houses which do not require electricity. He wanted to explore the idea of construction of such eco-friendly houses which will remain cool in summers and warm in winters. He conceived the idea in 2010 but the final product could take shape in 2014. Name the stage in 'The Creative Process' described in the above lines.	1
Ans	Idea germination.	
Q.4	Give the meaning of 'Ecological Environment'.	1
Ans	It considers the ways in which the organisation can produce it's goods or services with minimum environmental damage.	
Q.5	Geeta Ram, an orange grower from Nagpur, wants to start a small juice producing factory using the oranges grown by him as well as by his fellow villagers. Name the financial institutions he should contact for starting his factory.	1
Ans	National Bank for Agricultural and Rural development (NABARD).	
Q.6	State any two rules for 'Goal setting'.	1+1=2
Ans	Rules for goal setting: (Any two) 1. Business goals need to be relevant. 2. Business goals need to be actionable. 3. Business goals need to be achievable stretches.	
Q.7	Give the meaning of 'Business situation analysis' and 'Identification of the target market' as steps in preparing the marketing plan.	1+1=2
Ans	Business situation analysis is a review of past performance and achievements of the enterprise Identifying the target market- it defines clearly the specific group of potential customers who need the enterprise aims to fulfil.	

Q.8	Rahul wants to start a small shoe manufacturing factory. As a part of his business plan he prepared an 'entertaining slide show and oral narrative' that was meant to trigger discussion and create interest in potential investors for reading the written presentation. Identify and explain the format of 'business plan' described in the above para.	1+1=2
Ans	Pitch deck with oral narrative- it is an executive summary and a few key graphs showing financial trends and key decision making benchmark.	
Q.9	In U.K., they are called 'end lines', 'endlines' or 'straplines'. Germans call them as 'claims', French refer them as 'signatures', while Belgians call them 'base lines'. Identify the concept and name its forms.	$\frac{1}{2}+1\frac{1}{2}=2$
Ans	(a) Taglines. (b) It's various forms are: questions, statements and exclamations.	
Q.10	Ashok is engaged in the production of readymade garments using cotton cloth. Identify the business activity in which Ashok is involved. Also name and define the utility created by Ashok.	1+1=2
Ans	Form utility Changing the form of raw material into finished products creates form utility.	
Q.11	What is meant by 'Problem Identification'? State any two objectives and also give an example of problem identification.	1+1+1=3
Ans	A problem is a roadblock in a situation, something that sets up a conflict and forces you to find a solution. Objectives:- (any two) 1. It should clearly state the problem. 2. Identify target group facing the problem. 3. Identify the market acceptability of solution to the product. Example: Ready to eat foods for the younger career oriented generation. (or any other suitable example)	
Q.12	Karim after completing his XII exam from his village school joined the course of electrician in an ITI in a town near his village. On completion of this course he tried for a government job but could not get the same. He, therefore decided to help as a worker to a renowned electrician in that area. After working with him for two years he decided to start his own electrician shop in the village. For this he purchased equipment for Rs.10,000 and hired a shop at a monthly rent of Rs.2000. He decided to manage the shop by himself. (a) Identify the form of business organisation started by 'Karim'. (b) State any four characteristics of such a form of business organisation.	1+2 ($\frac{1}{2} \times 4$)=3

Ans	(a) Sole proprietorship. (b) (any four characteristics in statement form) Individual ownership; individual management and control; individual financing; no separate legal entity; unlimited liability; sole beneficiary; easy formation and closure; limited area of operation.	
Q.13	State the advantages of 'Cost Plus' method of pricing.	1+1+1=3
Ans	1. Exact amount of expenditure is known. 2. It is the simplest method. 3. Corrective actions taken easily.	
Q.14	Angel investor and venture capital are two sources of raising finance for an entrepreneur. Explain the concept of both the sources stating one distinguishing feature of each.	1+1+1=3
Ans	Angel investor- is an affluent individual who provides capital for a Business start-ups and early stage companies using a high-risk, high-return matrix usually in exchange for convertible debt or ownership equity. Venture capital- is a type of a private equity capital provided as seed funding to early stage, high potential, high risk, growth up companies/entrepreneurs. Distinguishing feature: Angel investors participate in the management of the business but venture capitalists do not take part in the management of the business.	
Q.15	'The Shop' a readymade garments retail shop sold 5,000 shirts at Rs.200 per shirt during the year ended 31st March, 2014. Cost of placing an order and receiving goods is Rs.1000 per order. Inventory holding cost is Rs.250 per year. Calculate the 'Economic Order Quantity' for 'The Shop'.	1+1½+½=3
Ans	Economic Ordering Quantity Formula $Q = \sqrt{\frac{2PD}{C}}$ $= \sqrt{\frac{2 \times 1000 \times 5000}{250}}$ $= \sqrt{40000}$ <i>Ans = 200 units</i> Note: 1 mark for the formula; 1 ½ marks for calculations and ½ for the correct answer	
Q.16	Ganga Dhar was working as the production manager in a German company. The company was producing remote operated high end kitchen equipments. He resigned from his job and returned to his hometown, Patna. In Patna, he met his old friend Aditya, who had been managing his factory producing steel utensils with old technology. Ganga Dhar encouraged Aditya for the production of high	1+2=3

Ans	<p>end kitchen equipments. He also promised to help Aditya by providing funds and expertise so that the production unit run by Aditya can develop into a big production house and its investors may get high returns on investment.</p> <p>Identify the kind of 'source of capital' provided by Ganga Dhar to Aditya and explain the same.</p> <p>Angel investors.</p> <p>Features (Any two)</p> <ol style="list-style-type: none"> 1. They are current or retired executives, business owners or high net worth individuals who have the knowledge, experience, and funds. 2. They bear extremely high risk and expect a very high return. 3. They provide proactive advice, guidance industry connections and mentoring start-ups in its early days. 4. Their objective is to create great companies by providing value creation. 5. They have a sharp inclination to keep abreast of current developments in a particular business arena. 	
Q.17	<p>Healthy juice India Ltd and 'Asli Juice Ltd' are engaged in the production of fruit juice. Both the companies sell the juice in 1000ml tetra packs and are in direct competition. To avoid competition, the management of both the companies decided to merge and form a new company 'Asli Healthy Juice India Ltd'. The new company decided to sell the fruit juice through the company owned outlets throughout the country.</p> <p>(a) Name and explain the Enterprise Growth Strategy (b) Also identify the channel of distribution decided by 'Asli Healthy juice India Ltd'.</p>	1+1+1=3
Ans	<p>(a) Horizontal merger.</p> <p>It is a merger between companies in the same industry. It is a business consolidation that occurs between firms which operate in the same space often as competitors offering the same goods and services.</p> <p>(b) Direct/zero level of distribution channel.</p>	
Q.18	<p>The first step in the creative process is 'Idea Germination'. State the other steps of this process.</p>	1x4=4
Ans	<ol style="list-style-type: none"> 1. Preparation- on the basis of the idea, interest and curiosity an entrepreneur starts looking for an answer to implement the idea. 2. Incubation- this is an sub-conscious assimilation of information. 3. Illumination- the idea resurfaces in a realistic way in the form of a viable plan. 4. Verification- the idea is verified to prove that it has value. 	
Q.19	<p>Lalitha Devi did her post graduation from Manipur University, Imphal. She had offers to join in reputed firms in metropolitan cities like Delhi and Mumbai. Instead of joining any of these firms she decided to do</p>	1+1+2=4

	<p>some creative work in Imphal. She observed that a special type of chilli is grown by the farmers in most of the villages in Imphal. This chilli has a distinct flavour and pickle made from this chilli has a taste which may be liked by people from the rest of the country. But the farmers were neither trained for this kind of farming of this kind of chilli on a large scale nor was there a secured market for their produce. Lalitha devi met 18 like minded women of the area and formed an organisation for doing the business of pickle manufacturing. Each of them contributed Rs.2,00,000 towards its capital and were equally responsible for its management. On one hand they assured the farmers to purchase their chilli and on the other hand, the organisation with the help of local agriculture department arranged for the training of the farmers. They also employed 10 local unemployed graduate girls for doing the various operations of pickle making.</p> <p>(a) Name the process that helped Lalitha Devi in converting an idea into an opportunity</p> <p>(b) Identify the kind of organisation that was formed by Lalitha Devi.</p> <p>(c) State any two values which Lalitha wanted to communicate to the society.</p>																					
<p>Ans</p>	<p>(a) Sensing entrepreneurial opportunities. (b) Partnership form of business organisation. (c) Values: (any two) Courtesy; fostering respect for differences; sensitivity to environment; good behaviour in human interaction; sharing, compassion, empathy; discipline; responsibility; respect for law and order; conflict resolution; team work; honesty and integrity. (or any other relevant value)</p>																					
<p>Q.20</p>	<p>'Good wash' are manufacturers of different sizes of fully automatic washing machines marked as 'small', 'medium', 'large' and 'industrial'. From the information given below, calculate the 'Break-Even Quantity' of the washing machines manufactured per month.</p> <p>Information:</p> <table border="1" data-bbox="284 1563 1161 1765"> <thead> <tr> <th>Size of machine.</th> <th>Unit Selling Price</th> <th>Unit variable cost</th> <th>Fixed exp</th> </tr> </thead> <tbody> <tr> <td>Small</td> <td>Rs.10,000</td> <td>Rs. 3000</td> <td>Rs.35,000</td> </tr> <tr> <td>Medium</td> <td>Rs.15,000</td> <td>Rs.8000</td> <td>Rs.35,000</td> </tr> <tr> <td>Large</td> <td>Rs.20,000</td> <td>Rs.13,000</td> <td>Rs.70,000</td> </tr> <tr> <td>Industrial</td> <td>Rs.35,000</td> <td>Rs.20,000</td> <td>Rs.1,50,000</td> </tr> </tbody> </table>	Size of machine.	Unit Selling Price	Unit variable cost	Fixed exp	Small	Rs.10,000	Rs. 3000	Rs.35,000	Medium	Rs.15,000	Rs.8000	Rs.35,000	Large	Rs.20,000	Rs.13,000	Rs.70,000	Industrial	Rs.35,000	Rs.20,000	Rs.1,50,000	<p>1x4=4</p>
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<p>Ans</p>	<p>Formula for break-even point = <u>Fixed expenses</u> Gross margin Gross Margin = selling price per unit - variable cost per unit</p>																					

Machine	Selling Price	Variable cost	Gross margin	Fixed cost	BEP-calculation	In units
Small	10000	3000	7000	35000	35000/7000	5
Medium	15000	8000	7000	35000	35000/7000	5
Large	20000	13000	7000	70000	70000/7000	10
Industrial	35000	20000	15000	150000	150000/15000	10

Note: 1 mark for each horizontal calculation.

Q.21	<p>'Sultan Trucks Ltd' are the manufacturers of commercial trucks for the last 20 years. The company has been doing good business but recently due to irregularity of supply of parts from the supplier, the company could not make timely delivery of trucks to the parties who had booked their trucks. The customers cancelled their bookings and there were very few new bookings. The sales of the company started declining that resulted into losses. The management of the company analysed the problem and decided to take over those two firms because of whom the problem arose, one of them was supplying tyres for the trucks and other axles to the company. The company also extended credit facilities to the customers and started booking trucks without charging any booking amount. It also decided to employ 100 unemployed youth with 50% reservation for women to take up the cleaning process, using the imported machines, inside the factory as well as the surrounding areas.</p> <p>(a) Identify and state the concept of 'Enterprise marketing and growth strategies' discussed in the above para.</p> <p>(b) Identify any one value which 'Sultan Trucks' wanted to communicate to the society.</p>	1½+1½+1=4
Ans	<p>(a) Concept for enterprise marketing – sales promotion are the various methods used to increase sales.</p> <p>Concept for growth strategy – acquisition means acquiring or taking over another company.</p> <p>(b) Values: (Any one relevant value)</p> <p>Courtesy; fostering respect for differences; sensitivity to environment; good behaviour in human interaction; sharing, compassion, empathy; discipline; responsibility; respect for law and order; conflict resolution; team work; honesty and integrity.</p> <p>(or any other correct value)</p> <p>Note: ½ mark for identifying both the concepts; 1 mark each for the statements of both the concepts; 1 mark for value.</p>	
Q.22	<p>One of the keys to business success is to anticipate what the market will want or need. Since it is not possible for an entrepreneur to see</p>	1½+4½=6

Ans	<p>into the future, there is one best way. The best way will help the entrepreneur to understand the market and produce goods or services accordingly.</p> <p>(a) Identify the concept stated in the above lines</p> <p>(b) Explain any three ways in which an entrepreneur can perform the activities related to concept identified.</p> <p>(a) Trend spotting</p> <p>(b) Ways in which an entrepreneur spots trends: (Any three)</p> <ol style="list-style-type: none"> 1. Read trends: They regularly read the leading publications and websites affecting their business. This could include industry publications, trade association sites, major newspapers, key business magazines, thought leaders and influential bloggers. 2. Talk trends: They get involved in specific industry's trade association and attending events and talk to customers both online and offline. They also take advantage of social networking tools like LinkedIn and Facebook. 3. Watch trends: They make it a point to regularly go where their target customers hang out. The entrepreneur spends some time simply watching and observe what people eat, doing, wearing, using etc., 4. Think trends: As they absorb and mull about what they've read, heard and observed, they'll start to make connections and observations that will lead to business-boosting insights. 	
Q.23	<p>Karan has started a restaurant on a National highway in the name of 'Apna Dhaba' by spending Rs.20,00,000. He invested Rs.8,00,000 of his own and took a loan of Rs.12,00,000 from SBI @ 6% per annum. His monthly sales revenue is Rs.12,00,000 and cost of goods sold is Rs.7,00,000. He pays monthly salary of Rs.2,00,000 to his employees. The tax rate is 25%.</p> <p>You are required to calculate:</p> <p>(a) Return on Investment and</p> <p>(b) Return on Equity for Karan</p> <p>Ans <u>Option A (on annual basis)</u></p> <p>Formula for calculating Return on Investment =</p> $\frac{\text{Net profit after tax}}{\text{Total Capital Invested}} \times 100 \text{ OR } \frac{\text{Net profit before Interest and tax}}{\text{Total Capital Invested}} \times 100$	<p>3 + 3 = 6</p> <p>1 mark for formula, 1 mark for calculation, 1 mark for correct answer.</p>

Calculation

Equity	8,00,000		
Debt	12,00,000		
Capital Invested	20,00,000		20,00,000
Sales revenue (12,00,000 x 12)	1,44,00,000		
Less: cost of goods sold (7,00,000 x 12)	84,00,000		
Gross Profit	60,00,000	60,00,000	
Less: fixed expenses (2,00,000 x 12)	24,00,000		
Loan (12,00,000 x 6/100)	72,000		
	24,72,000	24,72,000	
Net profit before tax		35,28,000	
Less: Tax 25%		8,82,000	
Net profit after tax		26,46,000	26,46,000

$$\begin{aligned} \text{ROI} &= \text{Net Profit after tax/capital invested} \times 100 \\ &= 26,46,000/20,00,000 \times 100 \\ &= 132.3\% \end{aligned}$$

OR

$$\begin{aligned} \text{ROI} &= \text{Net Profit before Interest and tax/Capital Invested} \times 100 \\ &= 35,28,000 + 72,000/20,00,000 \times 100 \\ &= 36,00,000/20,00,000 \times 100 \\ &= 180\% \end{aligned}$$

Option B (on monthly basis)

Calculation

Equity	8,00,000		
Debt	12,00,000		
Capital Invested	20,00,000		20,00,000
Sales revenue	12,00,000		
Less: cost of goods sold	7,00,000		
Gross Profit	5,00,000	5,00,000	
Less: fixed expenses Salaries	2,00,000		
Loan (12,00,000 x 6/100 = 72,000 x 1/12)	6,000	2,06,000	
Net profit before tax		2,94,000	
Less: Tax 25%		73,500	
Net profit after tax		2,20,500	

ROI = Net Profit after tax / capital invested × 100

= 2,20,500 / 20,00,000 × 100

= 11.025%

OR

ROI = Net profit before interest and tax / Capital invested × 100

= 2,94,000 + 6,000 / 20,00,000 × 100

= 3,00,000 / 20,00,000 × 100

= 15%

Return On Equity

Formula = Net Profit after tax / Equity × 100

26,46,000 / 8,00,000 × 100

= 330.75%

Note: In case the examinee has calculated ROI on annual basis - Option A is the answer and in case the examinee has calculated on monthly basis Option B will be the answer.

Q.24

Satnam an IIT-IIM candidate started three chemist shops at Amritsar, Patiala and Chandigarh in the name of 'Quality Medicines'. Encouraged with the success of these shops satnam opened 50 more shops in various parts of Punjab. His strategy was to cut price, focus on lower and middle class patients and open shops near hospitals. He operated on very thin margins. But he was not able to maintain sufficient funds to meet the day to day expenses of the business. The staff of the shops did not give much attention to the customers and there was very poor system of control. Because of this

1½x4=6

<p>Ans</p>	<p>mismanagement he started incurring huge losses and his business failed.</p> <p>Based on the above para identify and explain any four causes of business failure of Satnam.</p> <p>Causes of business failure of Satnam: (Four)</p> <p>1. Lack of adequate cash flow: Many small businesses fail because owners have a difficult time projecting what cash will come in every month, and thus, how much can go out. Satnam failed to estimate the correct expense which is required to run the business on a daily basis.</p> <p>2. Management incompetence:Satnam worked on very thin margins which led to huge losses as well as he did not have control over his staff.</p> <p>3. Diminished customer base:Satnam did not keep a track of his customer base. Competition can cause the customer base to diminish.</p> <p>4. Poor system of control:Satnam could not have proper internal control activities which led to the failure of his business.</p> <p>(Note:Any other relevant point based on the paragraph may also be considered)</p>	
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