

CBSE Class 12 Entrepreneurship 2023 - Set 98 - Compartment

Question Paper

Conducted by the Central Board of Secondary Education (CBSE)



Time Allowed: 3 Hours

Maximum Marks: 70

General Instructions

- (i) Read the following instructions carefully and follow them
- (ii) This question paper contains 34 questions. All questions are compulsory.
- (iii) This question paper is divided into four sections Section A, B, C and D.
- (iv) Section A : Questions number 1 to 18 are Multiple Choice Type Questions. Each question carries 1 mark.
- (v) Section B : Questions number 19 to 24 are Short Answer type-I questions. Each question carries 2 marks.
- (vi) Section C : Questions number 25 to 29 are Short Answer type-II questions. Each question carries 3 marks.
- (vii) Section D : Questions number 30 to 34 are Long Answer type questions. Each question carries 5 marks.
- (viii) There is no overall choice. However, an internal choice has been provided in Section B, C and D of question paper. A candidate has to attempt only one of the alternatives in such questions.

Section A

1. Which among the following is an element of micro level of business environment ?

- (A) Social (B) Customer
(C) Political (D) Ecological

2. Which component of a brand appears in the form of a symbol, design or distinct colour scheme ?

- (A) Trademark (B) Brand name
(C) Brand mark (D) Tagline

3. 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 :

- (A) Market extension merger (B) Conglomerate merger
(C) Horizontal merger (D) Vertical merger

4. Which amongst the following options will help an entrepreneur to determine the 'Return on Equity' (ROE) ?

- (i) Total Capital Invested
(ii) Net Income
(iii) Gross Profit

(iv) Equity (owned funds)

- (A) (i), (ii) and (iii) (B) (iii) and (iv)
(C) (ii) and (iv) (D) (i) and (iii)

5. Anita, after her course in fashion designing from National Institute of Fashion Technology (NIFT), wanted to start a readymade garments unit for infants. For this she started attending baby shows where she could talk to the parents of the newly born infants. She made an Instagram profile for her clothing range where she posted her designs and on the basis of 'rating' and 'likes' on the designs she planned her next set of dresses. She started talking to the customers, both online and offline. She also pay attention to what the customers were saying about competitors' business. Identify the way of trend spotting that had been used by Anita.

- (A) Think trends (B) Read trends
(C) Talk trends (D) Watch trends

6. Assertion (A) : Minors cannot form a partnership firm.

Reason (R) : Minors are incompetent to enter into a valid contract.

Choose the best option from the following :

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A).
(B) Both Assertion (A) and Reason (R) are true and Reason (R) is **not** the correct explanation for Assertion (A).
(C) Assertion (A) is true, but Reason (R) is false.
(D) Reason (R) is true, but Assertion (A) is false.

7. 'Transferring of financial resources from the surplus units to the deficit units' is the role of which of the following ?

- (A) Financial marketing (B) Financial intermediation
(C) Financial planning (D) Financial budgeting

8. Assertion (A) : Break-even point is that level of production where there is neither loss nor profit.

Reason (R) : Break-even point helps in determining the products that are not contributing to meet fixed expenses.

Choose the best option from the following :

- | | |
|---|--|
| (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation for Assertion (A). | (B) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation for Assertion (A). |
| (C) Assertion (A) is true, but Reason (R) is false. | (D) Reason (R) is true, but Assertion (A) is false. |

9. The basic test of a successful entrepreneur is :

- | | |
|--|---|
| (A) Identification of business opportunity | (B) Identification of a problem |
| (C) Identification of target market | (D) Identification of ways to earn profit |

10. Riya was fond of cooking and wanted to use her skills to establish a business of homemade pickles. Her business was established and it turned out to be a very popular in and around her locality. Her husband was a manager in a bank and was transferred to another city. Riya had to go along with her husband, so she had to close down her flourishing pickle business.

The form of business organisation operated by Riya was :

- | | |
|-------------------------|---------------------|
| (A) Partnership | (B) Public Company |
| (C) Sole Proprietorship | (D) Private Company |

11. Which of the following statements is **not** true about a Private Company ?

- | | |
|---|---|
| (A) A private company has a minimum of two (2) and maximum of fifty (50) members. | (B) A private company does not restrict the right of transfer of shares of the members. |
| (C) A private company uses the word 'Pvt. Ltd.' at the end of its name. | (D) A private company prohibits the public to subscribe for its shares or debentures. |

12. Manan thought of an idea to manufacture solar bins where the accumulated garbage would decompose automatically using solar power. He was very passionate about the idea and thought about its implementation in his subconscious mind. He went ahead, studying the pros and cons of making such bins before launching it.

The next step in the creative process which Manan had to follow was :

- | | |
|------------------|------------------|
| (A) Incubation | (B) Innovation |
| (C) Illumination | (D) Verification |

13. A company uses 300 units of raw material per day. The order lead time is 5 days. The minimum level of inventory when a new order is to be placed will be :

- | | |
|----------------|----------------|
| (A) 1500 units | (B) 1000 units |
| (C) 500 units | (D) 150 units |

14. 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.

“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 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.

A legal document that binds the franchisor and franchisee together is known as :

- | | |
|-------------------------|---------------------------|
| (A) Mutual Agency | (B) Cooperative Agreement |
| (C) Franchise Agreement | (D) Partnership Deed |

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15. (continued)

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The phrase ‘In business for yourself, but not by yourself’ means :

15. (continued)

- | | |
|--|--|
| (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. |
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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 |
-

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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 |
-

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Which among the following is **not** an advantage of franchising to the franchisee ?

- | | |
|--------------------------|-----------------------------|
| (A) Cost advantage | (B) Knowledge of the market |
| (C) Management expertise | (D) Capital requirement |
-

Section B

19. State any two points of difference between internal expansion and external expansion.

20(a). Why is it important for an entrepreneur to do a break-even analysis? State any two points.

OR

20(b). What is meant by 'working capital'? How does the cash conversion cycle impact the need for working capital for any business? State.

21. State any four parameters that suggest that an entrepreneur should choose company form of an organisation.

22(a). 'An entrepreneur must pay adequate and proper attention to human resource planning as it helps in assessing the kind of people required.' Explain.

OR

22(b). Explain 'identify the target market' as a step in preparing the marketing plan.

23. 'Shudh Jal India Ltd.' is the manufacturer of water purifiers. The company has developed a new water purifier that not only converts the hard water into soft water but also kills the bacteria and other harmful microorganisms present in it.

For the marketing of water purifiers, it has appointed salesmen throughout the country.

The company has also trained the salesmen to provide information about the usefulness of the product to the customers, demonstrating features and benefits not available with the competitor's product without ever mentioning them by name.

(a) Identify the type of sales strategy adopted by the company.

(b) Also discuss the type of sales strategy other than the one identified in (a) above.

24. Saurabh Engineering Ltd. is expanding its product line for which it needs an additional capital of ₹ 3 crores. The financial manager proposed that the required finance be raised by offering securities to the existing shareholders on pro rata basis.

(a) Identify and state the source of raising finance proposed by the financial manager.

(b) State the benefit of using the source suggested by the financial manager.

Section C

25. A factory is engaged in manufacturing cotton yarn of three qualities, i.e., A grade, B grade and C grade. From the details given below, compute the break-even level for each grade of cotton yarn.

	A grade (₹)	B grade (₹)	C grade (₹)
Selling price per 100 balls	10,000	5,000	7,000
Variable cost per 100 balls	3,000	2,500	3,000
Fixed cost per month	35,000	25,000	10,000

26(a). State any six features of 'Venture Capital' finance.

OR

26(b). Give the meaning of an Angel Investor. State any four points how does an angel investor help an entrepreneur.

27. Explain the considerations related to the manufacturer while selecting a distribution channel.

28. Nandini did her post-graduation from Manipur University, Imphal. She had good job offers from several metropolitan cities but she thought of doing some creative work in Imphal. She observed that a special type of chilli was grown by the farmers of most of the villages around Imphal. This chilli has a distinct flavour and the pickle made from it also had a peculiar taste, but the local farmers were neither trained in farming of this kind of chilli on a large scale nor was there a secured market for their produce. Nandini shared this with her friends Dorjee and Shizu. Dorjee was an MBA in marketing and Shizu had done a basic course in food production and preservation. Nandini, Dorjee and Shizu formed an organisation for doing the business of pickle manufacturing using these chillies. Each of them contributed ₹ 2 lakh towards the capital and decided to share the profits equally. They also agreed that any of them can act on behalf of all of them. Each one of them will be the principal as well as the agent of each other.

- (a) Identify the type of business organisation started by Nandini, Dorjee and Shizu.
- (b) Quoting the lines, state the two features of the type of business organisation identified in part (a) above.
-

29. Identify and explain the type of pricing methods used by the companies in the situations given below :

(a) 'Dental Care' is a new company in the field of toothpastes. It is launching its new improved toothpaste in small tubes of 100 gms each at a cost of ₹ 5 per tube. It will be sold in remote rural markets to capture more market share. The strategy of the company is to set a price lower than the eventual market price initially to attract the new customers and later on it will be raised once market share is gained.

(b) 'Super Foods Ltd.' decided to sell their new energy drink 'Bettergy' only in the urban markets. Their marketing and finance team decided to sell it in sustainable tetra packs of 200 mL, 500 mL and 1000 mL at a price of ₹ 20, ₹ 40 and ₹ 75 respectively. This method of pricing permits different rates to be extended to different customers for the same goods.

(c) 'Data Robots' is a startup firm in the field of Artificial Intelligence. It decided to sell their voice-enabled air purifiers in the market for ₹ 50,000 per piece, which is higher than the already existing air purifiers price in the market. They are confident of sale even at higher price because of its quality. The company's strategy is to recover the Research and Development cost in few sales.

Section D

30(a). Explain any five reasons for Mergers and Acquisitions of business entities.

OR

30(b). What is meant by Acquisition ? Explain the four types of acquisitions.

31(a). What is meant by Innovation ? Explain the different elements in the innovation process.

OR

31(b). Give the meaning of a Business Plan. Explain the formats in which a business plan can be presented.

32. Aman started his business of manufacturing designer home decor items in Mumbai. His business was growing because of the quality products he offered. He thought of expanding it to other cities of Maharashtra and for this he required more financial and human resources. Aman approached his Chartered Accountant, Rohan, for advice on his future course of action. Rohan suggested to Aman to go for company form of organisation where he could start even with two members, and have a minimum paid up capital of ₹ one lakh. Acting on the advice of Rohan, Aman formed a company with one of his friends.

(a) Identify the type of company formed by Aman and his friend.

(b) State any four privileges enjoyed by the type of company identified in (a) above.

33. Calculate the Return on Investment for 'Singh', the owner of 'Hawara Sugar Mills' for the year ending 2022–2023 from the data given below :

1.	Total sales revenue	₹ 14,00,000
2.	Total cost of goods sold	₹ 6,00,000
3.	Monthly salary and other utilities	₹ 24,000
4.	Depreciation	₹ 15,000

Singh invested ₹ 20 lakh out of which ₹ 8 lakh was owned funds of Singh and rest was borrowed from IDBI Bank @ 10% p.a. Tax rate applicable for the year was 20%.

34. 'Fine Lines Ltd.', is a well renowned company in the field of medical equipment. Now it wants to diversify itself into pharmaceuticals. The expansion plan needs huge financial resources which would not be possible from debt alone. The company decides to go public.

(a) What type of company can raise funds from public ?

(b) Which document would be prepared by 'Fine Lines Ltd.' to raise funds from public ?

(a) State the primary advantage that 'Fine Lines Ltd.' would have once it goes public.

(b) State any four purposes for which 'Fine Lines Ltd.' may use the capital raised from public.

- End of Question Paper -