

Question Paper 2011 Outside Delhi
CBSE Class 12th Entrepreneurship

General Instructions:

- All the questions are compulsory.
 - Marks are indicated against each question.
 - Questions Nos. 1 to 5 are very short answer questions carrying 1 mark each. Answer to each of these should not exceed 15 words.
 - Questions Nos. 6 to 10 are short answer questions carrying 2 marks each. Answer to each of these should not exceed 50 words.
 - Questions Nos. 11 to 17 are short answer questions carrying 3 marks each. Answer to each of these should not exceed 75 words.
 - Questions Nos. 18 to 21 are short answer questions carrying 4 marks each. Answer to each of these should not exceed 150 words.
 - Questions Nos. 22 to 24 are long answer questions carrying 6 marks each. Answer to each of these should not exceed 250 words.
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1. What is meant by 'Product-Mix'? (1)

Ans. Product mix is defined as the set of all product lines and items which a particular entrepreneur, seller or a manufacture offers for sale to the buyers or customers.

2. When is an 'Application for Permanent Registration' required and where has an entrepreneur to apply for obtaining this while setting up a small scale enterprise? (1)

Ans. An entrepreneur is required to apply to permanent registration after the start of commercial production. He has to apply to the District Industrial centre.

3. "Entrepreneurs are dreamers with a vision." How? (1)

Ans. Entrepreneurs craft opportunities to convert their dreams into reality or converting an idea into an opportunity into an enterprise.

4. Identify the intermediaries involved in the indirect-selling mode. (1)

Ans. In indirect selling mode intermediaries are – manufacturers, wholesalers retailers and consumers.

5. What is meant by investigation of ideas? (1)

Ans. Before feasibility study is taken out, the ideas are tested along with certain parameters - it is called investigation of ideas.

6. State any four basic functions involved in 'selling' as a function of exchange. (2)

Ans. Basic functions involved in selling are: locating the buyers, understanding their needs and preferences, fixing price, deciding the mode of delivery, negotiating with the buyers, finalizing the terms, sale and payments, etc.

7. Pragya Ltd. decided to sell air-conditioners and refrigerators at a discount' during winter season to clear the stock. Name and explain the environmental factor which helped them in taking this decision. (2)

Ans. Economic factor: demand increases due to discount offers.

8. When an enterprise is born the equilibrium between the two sets of forces is required. Identify the forces. (2)

Ans. When an enterprise is born the equilibrium between forces of knowledge, skill and competency and creativity of the entrepreneur and that of the market on the other hand is required.

9. Explain 'Operational Plan' as a feature of a feasibility plan. (2)

Ans. Operational plan is the soul of the feasibility report. It shows the strategy adopted by the entrepreneur in maximizing production. Shows the method of production, quality concerns, optimization of resources, the cost effectiveness.

10. Which is the most important asset under the head 'Asset Management' for an entrepreneur and how does he generate it? (2)

Ans. Cash is the important asset in asset management. Sale is the most important source to generate cash.

11. Name the element of a 'Project Report' that deals with the description and use of the product/service. Also state the other areas which find a place in this element. (3)

Ans. Name of the element: Description of the enterprise. Other areas covered in this element are: product to be manufactured, sources of raw materials, name of the company, requirement of raw materials, etc.

12. State the steps of the action plan of a Production Manager under the head 'Production Planning and Scheduling'. (3)

Ans. Step of the action plan of a production manager:

1. Plan the route of production. marks
2. Identify the standard capacity of each machine.
3. Decides how much load has to be put on each machine.
4. Schedule the work- what needs to be done, by whom and at what time
5. Ensure availability of the materials
6. Monitor the production, output, stocks.

13. Explain, 'Persistence', 'Creativity' and 'Taking. initiative' as entrepreneurial competencies. (3)

Ans. Persistence is the ability to continue with course of action in spite of obstacles and difficulties.

Creativity is the ability to bring something new into existence.

Taking initiative is the ability to make decisions and take action without asking for helper advice of others.

14. Explain any three decisions to be taken under the head 'Material Resource' while setting up a small scale enterprise. (3)

Ans. Three decisions to be taken under the head 'material resource'.

1. Size and location marks
2. Manufacturing process
3. Identifying-and purchasing machinery

[Briefly explain each point]

15. Name and explain the method of pricing in which price of a product is fixed consciously at a low level with minimal margin of profit. (3)

Ans. Name: Penetrating pricing method. The price is fixed consciously at a low level with minimum margin of profit. This is aimed at covering a large area of market so that the product can penetrate into the mass market. It is used to have a very high sales turnover.

16. What should an entrepreneur do to mobilise the resources? Explain. (3)

Ans. To mobilize resources an entrepreneur should:

1. be able to sense the need- tor the resources
2. identify the type of resources
3. be able to locate the resources
4. be able to identify die bottlenecks in mobilizing the resources
- 5 effectively communicate with the people who would provide them the sources.
6. be able to organize the finances tor obtaining the resources
7. be able to document the type, the quantum and the mode of obtaining the resources
8. plan receiving and stocking or managing the resources whether at one time or periodically.

[any six points]

17. "One of the essential objectives of managing the market is 'creating demand'." Explain. (3)

Ans. Basic objective of the marketing is to create a demand for the goods or the services. This exercise needs careful planning. It is a conscious and deliberate attempt to facilitate a liking for the goods or the services on the part of the consumer. Activities to be carried out are.

1. Facilitate a liking for the product / service.
2. to reinforce the desire for the goods.
3. make the customer understand the utility of the goods.
4. assure the customer about the quality of the product or the service.

[adequate explanation for 3 marks]

18. What is a 'feasibility plan'? Why does the entrepreneur need a feasibility plan? (4)

Ans. Feasibility plan is a comprehensive plan that encompasses the entire range of activities being planned in the business. It helps to understand the feasibility of the project, the bottlenecks in the progress and implementation.

The feasibility plan will help to assess the periodic requirements of these resources and to raise them.

Helps to give the clear picture on the project to financiers to the market and the clients.

It also helps them to execute the project in an organized and systematic manner so that he does not falter at any stage of his development.

19. Explain the concepts of 'Cost, Revenue and Break-Even-Point'. Also explain how Break-Even-Point is calculated. (4)

Ans. Concepts: Cost- essential to identify various costs involved primarily for the purpose of planning and control.

Revenue -amount received as sale proceeds

Break-even- point is the volume of production at which the firm neither makes a Profit nor a loss.

Calculation of BEP

$$R(PXQ) = C(F+QXV)$$

Where Q is the quantity sold at the Break Even Point.

$$\text{Thus, } Q(P-V) = F$$

$$Q = F/P-V$$

Thus BEP=Fixed cost/selling price per unit/variable cost per unit

20. Illustrate how an entrepreneur assesses the working capital requirements of an enterprise taking into consideration the operating cycle. (4)

Ans. Any appropriate example explaining the following points to assess the requirement of working capital:

1. Length of operating cycle
2. Realization of cash from debtors

21. Explain 'ability to harness different sources of knowledge and information' and 'vision and creativity' as important factors involved in the process of sensing opportunities. (4)

Ans. Ability to harness different sources of knowledge and information:

Information gathered from different sources has to be analyzed and utilized for the identification of the right opportunity. With suitable example.

Vision and creativity: An entrepreneur should be able to develop an idea through process of creativity into something of value. Vision of an entrepreneur can be fulfilled through his creativity. With a suitable example.

22. What is meant by Factoring? State any five features of Factoring. (6)

OR

Explain the following sources of finance of an enterprise:

(i) Chit-Fund (ii) Personal saving (iii) Deposits from dealers (iv) Private money-lenders.

Ans. Factoring means sale of accounts receivable to a bank or finance company.

Five features: marks]

1. It is an arrangement whereby the trade debtors are assigned to the bank or finance company.
2. The payment is received against the debtor's balance in advance.
3. It is usually not an option for a new venture
4. The factors not only have the task of collecting the cash, but they also carry the cash if the debtor does not pay up.
5. The entrepreneur interested in availing factoring service has to pay specified charges to

the bank or finance company.

OR

Source of finance: (i) chit fund- small amount is contributed by different members and they get money by converting their chit into cash.

(ii) personal savings: savings of the entrepreneur to be used when the amount required is small.

(iii) deposit from dealers: when the dealers are appointed, they are asked to give security deposit. which can be used by the entrepreneur for short term as well as long term

(iv) private money lenders: they provided money against some security and the rate of interest is very high.

23. Describe any three methods adopted by entrepreneurs to generate ideas, with at least one example for each. (6)

OR

Describe any three fields of ideas, with suitable examples.

Ans. Three methods to generate ideas: (i) brainstorming (ii) doing market research (iii) gathering information from publications (iv) seeking assistance from entrepreneurs (v) hobbies (vi) talking and listening to people (vii) day dreaming and fantasizing

OR

Idea Fields: (i) natural resources (ii) existing products or services (iii) market driven ideas or demand driven ideas (iv) trading related ideas (v) service sector ideas.

[Brief explanation with examples of any three points]

24. Name and explain the type of capital which is known as risk capital of an enterprise. State any two advantages and any two limitations of this capital. (6)

OR

Name and explain the type of capital which does not provide any right of control over

management of the enterprise. State any two advantages and any two limitations of this capital.

Ans. Risk capital: equity shares (owner's capital) owner's fund provides risk capital to enterprise.

Provides permanent capital and is nonrefundable.

Provides basis of control over management of the enterprise.

Advantages: (i) permanent capital (ii) right of control over the management

Limitations (i) difficult to raise (ii) depends upon number of persons ready to take the risk of investing their personal savings

OR

Name borrowed capital - debentures/ term loans.

It is the amount of capital borrowed by the entrepreneurs. Interest is payable as a charge and the principal amount is payable as and when due cannot be used as permanent capital

Advantages (i) No risk of control over management of the enterprise (ii) Interest is tax deductible expense.

Limitations: (i) Difficult to utilize this source of finance if adequate security is not available. (ii) Fixed obligation to pay interest and the principal amount of loan.