

Syllabus
Entrepreneurship (Code No. 066)
Class-XII (2013-2014)

RATIONALE

Development of school curriculum is a dynamic process responsive to the society and reflecting the needs and aspiration of its learners. Fast changing society deserves changes in educational curriculum particularly to establish relevance to emerging socio-economic environment; to ensure equity of opportunity and participation and finally promoting concern for excellence. In this context the course on entrepreneurship aims at instilling and stimulating human urge for excellence by realizing individual potential for generating and putting to use the inputs, relevant to social prosperity and thereby ensure decent means of living for every individual.

OBJECTIVES

- Acquiring Entrepreneurial Spirit and resourcefulness.
- Familiarization with various uses of human resource for earning dignified means of living.
- Understanding the concept and process of entrepreneurship - its contribution and role in the growth and development of individual and the nation.
- Acquiring entrepreneurial quality, competency and motivation
- Learning the process and skills of creation and management of entrepreneurial venture.

The question paper will include value based question(s) to the extent of 3-5 marks

CLASS XII**THEORY :****Total marks:70****Unit I: Entrepreneurial Opportunities and Enterprise Creation 20 Marks**

- * Sensing Entrepreneurial Opportunities
- * Environment Scanning
- * Market Assessment
- * Identification of Entrepreneurial Opportunities
- * Selection of an Enterprise
- * Steps in setting up of an Enterprise

Unit II: Enterprise Planning and Resourcing

20 Marks

- * Basic Qualities of a sound Enterprise
- * Feasibility Plan
- * Business Planning - Preparation of a Project Report
- * Its meaning, need, uses and objectives
- * Elements of a Project Report
- * Resource Assessment -Financial and Non - Financial
- * Mobilising Resources - Sources and Means of Funds, and Facilities.

Unit III: Enterprise Management

30 Marks

- (a) Concept of Enterprise Management and Responsibility of an Entrepreneur.
- (b) General management: Basic Management functions.
- (c) Organising/Production of goods and services - quality, quantity and flow of inputs
- (d) Managing Market:
 - Meaning, Functions of Marketing, Marketing Mix:
Product, Price, Place, Promotion (advertising and sales promotion)
- (e) Managing Finance-Financial Management and Planning - Sources of Long Term and Short Term Finances
 - * Determination of Cost, Income, Calculation of Profit/Loss.
- (f) Institution and Sources of Finance
- (g) Managing Growth and Sustenance -Affecting Change, Growth Sustaining Activities, Modernisation, Expansion, Diversification and Substitution.
- (h) Entrepreneurial Discipline and Social Responsibility - Ecology, Concern for Workers and Community, Adherence to Contract and Credits.

PRACTICAL

Introduction:

The main objective of the course in Entrepreneurship is to generate in the students initiative, self-reliance and enthusiasm so as to empower them to become entrepreneurs both in spirit and performance. A number of skills such as observation, evaluation, communication, resource mobilization and management, risk assessment ,team building etc. are also to be developed in the students. Leadership qualities, sensitivity to business ethics and adherence to a positive value system are the core issues that the course highlights while presenting different concepts related to entrepreneurship.

Such a course should necessarily have a strong experiential component in the form of practical work. The objectives of the practical work are:

- 1 To introduce the students to the world of business by developing in them the core skills and competencies required for an entrepreneur.

2. To develop in the students qualities such as leadership, self-confidence, initiative, facing uncertainties, commitment, creativity, people and team building, integrity and reliability.
3. To enable the students to acquire the skills and knowledge needed for conducting surveys, collecting, recording and interpreting data and preparing simple estimates of demand for products and services.
4. To guide the students to prepare a Project Report.
5. To equip the students with knowledge and skills needed to plan and manage an enterprise through case studies conducted and recorded by the students in different fields such as resource assessment, market dynamics, finance management, cost determination, calculation of profit and loss etc.
6. To instill in the students important values and entrepreneurial discipline.

FORMAT

Total marks: 30

1.	Project Report/Survey Report	10 Marks
2.	Viva-Voce on PW /SR	05 Marks
3.	Case Study	10 Marks
4.	Problem Solving	05 Marks
1.	Project Report/Market Survey Report	10 Marks

a) Project Report:

Preparation of a Project Report for an enterprise involving products/services

Students may be provided adequate guidance to choose a project based on their interests and availability of information and authentic inputs in the locality. The specimen proforma of project report given in the textbook may be used for preparing the report. However, mechanical preparation of the report by filling in the information in the proforma should be discouraged. Further, as the students will be required to appear for a viva-voce on the basis of their projects, sufficient care should be taken by the students to prepare the report after studying the various aspects involved thoroughly. In a nutshell, the project report should lead to viable enterprise.

b) Market Survey Report

Market research is the process and technique of finding out who your potential customers are and what they want. The survey may be on products and services already available in the market or students may also conduct surveys for new products and services. The report of the survey should be organised under the following broad headings:

1. Objectives.
2. Methods and tools (interviews, questionnaires etc.) to be used to collect information.
3. Records of data and information.
4. Analysis of data and information.
5. Interpretation and conclusion.

For example, a survey may be conducted to find out the choice of households in toiletry soap,

tooth paste etc. The data may be analysed to establish a pattern that may be useful to an entrepreneur.

Guidelines for assessment of Project Report / Survey Report

1. Presentation: Format, Clarity, Use of graphs, tables and other visuals, organisation, methodical recording of data and information and general neatness of execution. 5 marks
2. Originality and Creativity 3 marks
3. Authenticity of information and correctness of calculations and general feasibility of the project/ sustainability of conclusion drawn in the survey. 2 marks

2. Viva Voce on the Project /Market Survey Report 5 Marks

The questions should establish that the report is the original work of the student and that the student has a reasonably clear understanding of the work carried out by him/her.

Entrepreneurial qualities such as leadership, self-belief, creativity, originality, initiative etc. may also be assessed by asking a variety of questions related to the report.

3. Case Study 10 marks

A case study is a focused research on an organisation, enterprise, practice, behaviour or person undertaken to highlight an aspect that the study attempts to examine. For instance, a case study may be conducted on the pollution control methods being employed by an industry. Or a successful industrialist may be chosen as a subject of a case study to analyze and understand the strategies that the industrialist adopted :to achieve success.

Ideally, a case study should be conducted on subjects with the objectives of bringing to the fore beliefs, practices, strategies, values etc. that have made them what they are. Such studies help us to understand the way in which great minds think and operate. We may also conduct case studies on failures; why a company collapsed, how a service lost its market etc. From both the types of case study, we learn lessons; how to do something or how not to do something. They also provide valuable insight into the processes involved in an enterprise.

A few topics are suggested for carrying out case studies:

- i) Drawing a profile of a successful entrepreneur.
- ii) Studying a public sector undertaking and highlighting its success/failure, by analyzing the factors responsible.
- iii) Studying a small scale unit in the locality to bring out the procedures and processes adopted by the unit to become a feasible business venture.
- iv) A study of competition in business by choosing two or more rivals in the market and analyzing their strengths and weaknesses.
- v) Take the school itself for a case study and analyze any two aspects of the school plant for chalking out a plan of action: infrastructure, academics, co-curricular activities etc.
- vi) A case study on a thriving fast food shop/restaurant in your locality. What makes it so popular?

- vii) A case study on the ways in which a business unit has mobilised its financial resources.
- viii) A case study on the enterprise management techniques adopted by a business house.
- ix) A case study on the marketing strategies of a successful consumer durable company.
- x) A case study on the financial management of a Public Limited Company.
- xi) A case study on any Specialized Institution that supports and guides the establishment of a small scale unit.
- xii) Studying the balance sheets of two big private companies to assess their trade and credit worthiness.
- xiii) Studying the inventory management of a large manufacturing industry to ascertain the processes involved for optimizing cost.
- xiv) Carrying out a case study on an established industrial house/company to find out the value system of the company and how it fulfils its social commitment/obligations.
- xv) Carrying out a case study on an established industry to ascertain the processes followed to reduce/prevent pollution.
- xvi) Study on environment friendly companies and their contribution to preservation.

Assessment of Case Studies

- i) Presentation: Format, accuracy, clarity, authenticity and general neatness 7 marks
- ii) Analysis and Conclusions 3 marks

4. Problem Solving 5 marks

In this session, the students will be required to solve a problem in the form of a written test. The examiner may choose any problem related to the units in class XII Text Book and set it for the class. The problem may be in the following areas:

- a. How to scan the environment to establish the feasibility of a project.
- b. Given certain figures showing the consumption pattern of a product, drawing conclusions that have a bearing on similar products.
- c. Carrying out market assessment for a given product/service to ascertain the feasibility factor.
- d. Assessment of Working Capital.
- e. Calculation of total cost of production.
- f. Calculation of break-even point.
- g. Determining location of a manufacturing unit.
- h. Problems in inventory control (calculation of the Economic Order Quantity and carrying out ABC analysis).
- i. Applying Pricing methods to determine the price of a product or service.

- j. Applying promotion mix to plan a sales campaign for a product or service.
- k. Working out a simple budget for a given task or job.

Assessment of Answers

The examiner may prepare five problems which are solved by him/her before they are presented to the students. The student may choose anyone of the problems and solve it, showing the different steps/different reasons involved in the solution. If the problem does not involve actual calculations, it may not have anyone correct answer. So weightage should be given not only to the final answer but to the entire process of problem solving that the student has followed. Originality and innovative spirit should be rewarded. The students should not be penalized for spelling errors, grammatical mistakes etc. as long as the answer is coherent. Where definite formulas are involved, accuracy should be given due weightage.

LIST OF SUGGESTED REFERENCE BOOKS

1. Entrepreneurship - Class XI - C. B. S. E., Delhi.
2. Entrepreneurship - Class XII- C. B. S. E., Delhi.
3. Udyamita (in Hindi) by Dr. M M.P. Akhouri and
S.P Mishra, pub. by National Institute for Entrepreneurship and Small Business
Development (NIESBUD), NSIC-PATC Campus, Okhla.
4. Trainer's Manual on Developing Entrepreneurial Motivation, By M.M.P. Aukhori,
S.P. Mishra and R. Sengupta, Pub. by (NIESBUD), NSIC-PATC Campus, Okhla.
5. Behavioral Exercises and games - manual for trainers, learning systems, by M. V.
Despande, P. Mehta and M. Nandami.
6. Product Selection by Prof. H.N. Pathak, Pub. By (NIESBUD), NSIC-PATC
Campus, Okhla.
7. Entrepreneurial Development - Dr. S. Moharana and Dr. C.R.Dash, Pub. by
RBSA Publishers, Jaipur.
8. Entrepreneurial Development by S.S.Khanna, Published by S.Chand & Company
Ltd., Ram Nagar, New Delhi.
9. Entrepreneurial Development by C.B. Gupta and N.P.Srinivasan, Publisher
Sultan Chand & Sons, 1992.
10. Entrepreneurship Development - Principles, Policies and Programmes by P.
Saravanavel, Publishers Ess Pee Kay Publishing House, Madras.
11. Entrepreneurship, Growth and Development, by Rashi Ali, Pub. by Chugh
Publication and Strech Road, Civil Lines, Post Box No. 101, Allahabad-211991.
12. Entrepreneur and Entrepreneurship Development and Planning in India, by D.N.
Mishra, pub. by Chugh Publication, Allahabad.

13. Aoudhogik Disha Nirdesh (in Hindi) Pub. by Centre for Entrepreneurship Development, M.P. (CEDMAP), 60, Jail Road, Jhangerbad, Bhopal-462008.
14. Entrepreneur, Industry and Self-employment Project, Part-1 and 2(in Hindi), Pub. by Centre for Entrepreneurship Development, M.P. (CEDMAP), 60 Jail Road, Jhangerbad, Bhopal-462008.
15. Small Scale Industry & Self-Employment Projects, Part-1 and 2 (in Hindi), Pub. by Centre for Entrepreneurship Development, M.P. (CEDMAP),60 Jail Road, Jhangerbad Bhopal.

Magazines

1. Udyamita Samachar Patra,(Monthly, Hind), Pub. by Centre for Entrepreneurship Development, M.P.(CEDMAP), 60 Jail Road, Jhangerbad, Bhopal-462008.
2. Science Tec. Entrepreneur (A Bi Monthly Publication), centre for Enterprenurship Development, M.P. (CEDMAP), 60 Jail Road, Jhangerbad , Bhopal -462008.
3. Laghu Udhyog Samachar.
4. Project Profile by DCSSI.
5. Project Profile by Pub. Centre for Enterpreurship Development, M.P. (CEDMAP), 60 Jail . Road, Jhangerbad, Bhopal-462008.

BLUE PRINT
Class-XII (2013-2014)

Subject : Entrepreneurship
Maximum Marks : 70 Marks

Class: XII
Time: 3 Hrs.

Objective	Knowledge			Understanding			Application			Total		
	E	SA	VSA	E	SA	VSA	E	SA	VSA	E	SA	VSA
Entrepreneurial Opportunities and Enterprise Creation (20 Marks)		3	1 1 1	6	2 4			2		6	11	3
Enterprise Planning and Resourcing (20 Marks)	6				2 2 4			2 4		6	14	-
Enterprise Management (30 Marks)			1 1	6	3 3 3 4			3 3		6	22	2
Sub Total	6	3	5	12	30	-	-	14	-	18	47	5
Total		14			42			14			70	
• There will be value based question(s) to the extent of 4 marks.												

Summary			
Essay	(E)	No. 3 Q x 6 M	Marks: 18
Short Answer	(SA) I	No. 4 Q x 4 M	Marks: 16
Very Short Answer	(SA) II	No. 7 Q x 3 M	Marks: 21
Scheme of Options		No. 5 Q x 2 M	Marks: 10
Scheme of Sections	(VSA)	No. 5 Q x 1 M	Marks: 5
		24	70

SAMPLE QUESTION PAPER ENTREPRENEURSHIP

Time allowed : 3 hours

Maximum marks: 70

General Instructions:

- (i) All the questions are compulsory,
- (ii) Marks are indicated against each question.
- (iii) Question Nos. 1 to 5 are very short answer questions carrying 1 mark each. Answer to each of these should not exceed 15 words.
- (iv) Question Nos. 6 to 10 are short answer questions carrying 2 marks each. Answer to each of these should not exceed 50 words.
- (v) Question Nos. 11 to 17 are short answer questions carrying 3 marks each. Answer to each of these should not exceed 75 words.
- (vi) Question Nos. 18 to 21 are short answer questions carrying 4 marks each. Answer to each of these should not exceed 150 words.
- (vii) Question Nos. 22 to 24 are long answer questions carrying 6 marks each. Answer to each of these should not exceed 250 words.

1. What is the main resource required in a labour intensive unit? 1
2. After the start of commercial production, what is an entrepreneur required to do? 1
3. A man decides to open a chain of retail outlets in rural areas to sell trendy T-shirts & other fashion accessories like high heel shoes, cosmetics etc. Is he correct in his decision? Give a reason for your answer. 1
4. How will you calculate the Return on Investment? 1
5. What is an Operational Plan? 1
6. Differentiate between an entrepreneur and an employee? 2
7. What is Planning Paradigm? 2
8. Identify the element of the 'project report' that deals with the description of the manufacturing process, product design & manpower. Explain its importance for an entrepreneur.

9. Find out Economic Order Quantity from the following particulars 2

(i). Annual usage	6000units
(ii). Cost of material per unit	` 20
(iii). Cost of placing and receiving one order.	` 60
(iv). Annual carrying cost of one unit	10% of inventory value.

10. What is SWOT Analysis? How does the project report assist in this analysis? 2

11. What is meant by an Operating cycle? What does it indicate? Calculate the working capital of Vijay Enterprises from given details: 3

- Production cycle one week
- Number of soaps to be produced per week 200
- Cost of raw material `2000
- Labour ` 1500
- Direct expenses ` 500
- Payment cycle two weeks.

12. Distinguish between Shares and Debentures on the following basis; 3

- i) Right to vote
- ii) Return
- iii) Convertibility

13. "Creativity is the ability to bring something new into existence". In the light of the statement explain 'The Creative Process'. 3

14. Designing an advertisement is an important activity. State the issues that should be addressed while designing it. Also, discuss how advertisement empowers the customers? 3

15. Explain why being disciplined in dealing with competitors is an important entrepreneurial attribute? 3

16. Reliance Industries have adopted Diversification and McDonalds focuses on Franchising as their methodology for growth sustenance. Explain the two methods highlighted here with special reference to their distinctive features. 3

17. 'Continuous interaction between knowledge, strategy and action is needed to develop an enterprise'. Explain using the Enterprise Process Model. 3

18. Monika, Sumeet and Aditi are three women entrepreneurs who are engaged in dealing with handicraft goods. They outsource all their products from tribal and rural women. From a part of their profits earned in the year, they decided to conduct a hygiene camp in rural areas wherein they will distribute a kit comprising of toothpaste, brush, soap and also plan to organize a street

play to emphasise on the importance of hygiene. What four values can you derive from the above gesture? 4

19. What is meant by Break Even Point? 4

Find out the Break Even point from the following information:

- Fixed Cost ` 1,00,000.
- Variable Cost per unit ` 5.
- Sales Price per unit ` 10 per unit.

Also find the Break Even Point if the Sale Price is reduced by 10%

20. Explain the concept of ABC Analysis? 4

21. Differentiate between 'Preference Shares' and 'Equity Shares' on the basis of: 4

- (a) Voting Right
- (b) Payment of Dividend
- (c) Repayment of Capital
- (d) Rate of Dividend

22. Explain by giving any four points why 'market-assessment' is needed for an Entrepreneur? 6

OR

Ravi has decided to introduce a new toilet soap in the market. Prepare a proposal taking his immediate environmental factors into consideration.

23. Arvind is planning to start an export company manufacturing leather bags. He intends to source the raw material locally. He estimates an annual turnover of ` 20 crore. Identify the main features of a feasibility plan he would like to prepare. 6

OR

'It is basically a business plan describing all necessary inputs to the enterprise, explaining the mode of utilization of resources, detailing strategies and outlining desired goals'. Identify the report, objectives and any two uses of preparing the report.

24. Explain the meaning and elements involved in the Innovation process. 6

OR

a). Why is pricing crucial in an Entrepreneurial activity? Identify and explain the pricing method adopted by Dinesh Enterprises from the following:

"A soft drink bottle of 300 ml of a company is priced at ` 12, while a 1000ml is priced at ` 20".

b). Raja is a small entrepreneur involved in the manufacturing of desert coolers. He finds that cost of production of one unit of cooler is ` 3000. He decided to have margin of 12% as profit. Determine the sale price of a cooler name & explain the method he has followed?

ENTREPRENEURSHIP
MARKING SCHEME

- 1. Human Resources 1
- 2. He is required to apply to the District Industries Center for obtaining permanent registration of the unit. 1
- 3. No, because the Indian village culture is not compatible with the products that are being offered. 1
- 4. ROI is = Net profit before interest and taxes / Total Investment. 1
- 5. It is a plan which shows the steps, procedures and strategies adopted by entrepreneur in maximizing his turnover and production of the enterprise. 2

6. 2

BASIS	ENTREPRENEUR	EMPLOYEE
1.Motive	The main motive of an entrepreneur is to start a venture by setting up an enterprise. He is the owner of the enterprise.	The main motive of an employee is to render his services in an enterprise which has been set up by someone else.
2. Risk Bearing	An entrepreneur assumes all risk and uncertainty involved in running the enterprise.	An employee, as a servant, does not bear any risk involved in the enterprise.

7. A planning paradigm may be defined as the concept of having a model to follow when developing a new enterprise. It refers to a general pattern which suggests how to progress from an abstract idea to achieve sustained stability, growth and value added service. 2

8. Technical Feasibility. Technical feasibility is essential for an entrepreneur for quality control, quality assurance, research & development work. It considers the technical requirements of the proposed project. The technical requirements are then compared to the technical capability of the organization. The systems project is considered technically feasible if the internal technical capability is sufficient to support the project requirements. 2

9. Economic Ordering Quantity = $\frac{\sqrt{2 \times \text{annual usage} \times \text{ordering cost per unit}}}{\text{Carrying cost per unit}}$

Thus as : annual usage = 6,000

Order cost = ` 60

Annual carrying cost of 1 unit = 10% of inventory value .i.e. = 20×10

$$\frac{\quad}{100} = 2$$

EOQ = $\frac{\sqrt{2 \times 6000 \times 60}}{\quad}$ = 600 Units

2

10. SWOT stands for Strengths, Weaknesses, Opportunities, Threats. This analysis helps the entrepreneur to understand the ground realities of his venture in terms of feasibility. The project report is a blue print that helps him to explain his idea in factual terms so that he could identify his strength, weakness, opportunity and threat. 2

11. An operating cycle is also termed as a cash to cash flow as it starts with the outflow of cash towards the purchase of raw material and ends with the cash inflow in terms of payments received from customers towards the sale of product.

- This operating cycle indicates that funds once tied up in the form of raw material are later into converted into finished goods.
- In a manufacturing concern there is a time gap between the first step of purchasing of raw material to last step of selling of goods and realising cash. This time duration is called operating cycle. It is also called the “changing” or circulating capital because money circulates in various forms of assets in a continued manner.

Calculating the requirement of working capital is = Raw material+ labour+ expenses × working cycle.

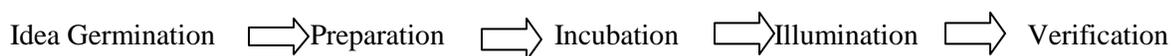
$$= ` 4000 \times (2+1) \text{ (i.e 3 weeks)}$$

$$= ` 12000 3$$

12. 3

Basis of Difference	Shares	Debentures
i) Right to vote	Share holders have the voting rights	Debenture holders do not have any voting rights.
ii) Return	Share holders are entitled for returns in the form of dividend.	Debenture holders are entitled for returns in the form of interest.
iii) Convertibility	Shares cannot be converted into debentures.	Debentures can be converted into shares.

13. The Creative Process. 3



Idea Germination- Creative ideas germinate out of an individual’s interest or curiosity about a specific problem or area.

Preparation – If the idea relates to a new product or service, the person needs to go in for market research

Incubation- The idea or the various extensions of the idea which may have evolved become a part of the subconscious intellect

Illumination- The fourth stage occurs when the idea resurfaces in a realistic way and the individual comes up with a viable plan

Verification- when the idea or plan is translated into realistic and useful application.

14. The issues that should be addressed while designing an advertisement are: 3

- a. Does the advertisement emphasize on the correct things? It should not be misleading.
- b. Is the presentation persuasive?
- c. Is the ad interesting to read or view?
- d. Does it draw the attention of the person reading it?

The advertisement empowers the customer in following ways:

- i) It provides both quantitative & qualitative information about the products

- ii) It enables intelligent buying
- iii) It teaches values to those who are not trained buyers.

15. It is true that this is the age of cut throat competition and entrepreneurs constantly strive for growth and experience. In this path, they have to face competition from others, but the way of competing with others is not causing any damage to the competitors; whereas competition must be in such a manner so that you can give something better to the society. It is done by increasing efficiency, productivity, products, quality, design or even by innovating new products and services. As an entrepreneur, one is always advised to follow the second path for competing with others. 3

16. The distinctive features of the methods are: 3
 Diversification: It is the dominant sign of growth. In this exercise, an enterprise grows from all the sides of producers or provides products and services beside traditional one. Sometimes, diversification may be in the field of totally new product or services. e.g. ITC has diversified into providing various services/products.
 Franchising: This is another way of expanding a business unit. As we all know that sales of a product or services need an effective marketing system or strategy. It is possible for a manufacturer to sell his product directly to the consumer. But still it is impossible to sell the product over a vast area with the help of company's outlets or showrooms. To overcome this problem, manufacture resorts to franchising. Franchising is the transfer of rights to sell a trademarked product or services through a system prescribed by a franchisor who owns the trademark.

17. In this model the entrepreneurial characteristics of knowledge, strategic positioning and action 3 occupy the central position orchestrating the whole process. They interact with each other helping the cycle of entrepreneurship maintain its moment. The most crucial aspect of this process is the strategic position which is the overlapping area of knowledge and market dynamics. The cycle of ideas maturing into an enterprise relies on the relationship between the conceptual product or service and practical or realistic market forces. When there is equilibrium between these two sets of forces, an enterprise is born. However to sustain, nurture & develop it, there has to be an ongoing interaction and thus it is a continuous process.

18. Values which can be derived from the above case are: 4
- **Encouragement of rural workforce by providing them employment opportunities in their hometown itself, thus minimising migration to metro cities**
 - **Improvement in the standard of living of the people**
 - **Educating them about hygiene**
 - **Social Responsibility of the enterprise towards the society.**

19. Break Even Point is the volume of production at which a firm neither makes a profit nor a loss. 4
 i.e., Revenue = Cost.

1. BEP = Fixed cost /Contribution per unit (in units)

Contribution per unit= sales-variable cost

$$(C = S-V)$$

$$F = 1,00,000$$

$$C = 10-5$$

$$=5$$

$$BEP= 100000/5$$

$$= 20,000 \text{ units}$$

2. B.E.P at reduced selling price by 10%

Selling Price is Rs.10/-. Reduction by 10% means selling price is now 9/-

$$\begin{aligned}
 \text{Contribution} &= S-V \\
 &= 9-5 \\
 &= \text{Rs. } 4/- \\
 \text{B.E.P} &= 100000 / 4 \\
 &= 25000 \text{ units} \\
 &= \text{Rs. } 2,50,000/-
 \end{aligned}$$

20. The **ABC analysis** is a business term used to define an inventory categorization technique often used in materials management. It is also known as Always Better Control and can also be called as *Selective Inventory Control*. Policies based on ABC analysis:

- A ITEMS: very tight control and accurate records
- B ITEMS: less tightly controlled and good records
- C ITEMS: simplest controls possible and minimal records

The ABC analysis provides a mechanism for identifying items that will have a significant impact on overall inventory cost, while also providing a mechanism for identifying different categories of stock that will require different management and controls.

The ABC analysis suggests that inventories of an organization are not of equal value. Thus, the inventory is grouped into three categories (**A, B, and C**) in order of their estimated importance.

'A' items are very important for an organization. Because of the high value of these 'A' items, frequent value analysis is required. In addition to that, an organization needs to choose an appropriate order pattern (e.g. 'Just-in-time') to avoid excess capacity. 'B' items are important, but of course less important, than 'A' items and more important than 'C' items. Therefore 'B' items are intergroup items. 'C' items are marginally important.

There are no fixed threshold limit fixed for each class, different proportion can be applied based on objective and criteria. ABC Analysis is similar to the Pareto principle in that the 'A' items will typically account for a large proportion of the overall value but a small percentage of number of items. Example of ABC class are

- 'A' items – 20% of the items accounts for 70% of the annual consumption value of the item
- 'B' items - 30% of the items accounts for 25% of the annual consumption value of the items.
- 'C' items - 50% of the items accounts for 5% of the annual consumption value of the items.

Another recommended breakdown of ABC classes:

- "A" approximately 10% of items or 66.6% of value
- "B" approximately 20% of items or 23.3% of value
- "C" approximately 70% of items or 10.1% of value

21.

Basis	Preference Shares	Equity Shares
(a) Voting Right	Do not enjoy voting rights	Enjoy voting rights

(b) Payment of dividend	Given preference over equity shares	Dividend paid after payment of dividend to preference shares holders.
(c) Repayment of capital	Given preference over equity shareholders at the time of winding up.	Capital paid only at the time of winding up.
(d) Rate of dividend	Fixed	Varies year to year

22. Market assessment is important as it helps the entrepreneur in the following ways;

(a) In demand analysis: The demand for a product or service will be assessed on the basis of the size of market targeted, study of the target groups of consumers, their preferences, tastes and other related variables.

(b) Understanding supply and competition in the market: Supply position means the complete picture of quantities of the product made available in the market by all the existing players. It should also take into account future supplies from possible entrants in the field.

(c) Determining cost and price of products: Cost of the product plays an important role in identification of product because it will determine the price of the product and its comparison with the available products in the market. Cost variables of competitors in terms of transportation delays, wastage, storage etc. have to be studied to spot cost advantage.

(d) Helps in project innovation and changes: Market assessment will require a study of prevailing innovations and changes being introduced by existing entrepreneurs technological advancement in the field have to be analyzed because they may change and influence the cost and price ultimately.

(any four points with explanation $1.5 \times 4 = 6$)

OR

He has to take into account various environmental factors into consideration in detail from the point of view of 'Scanning'.

Socio-cultural factors- He has to study the lifestyles, customs, beliefs and whether he wants to target the urban or rural population

Political factors- rules and regulation prevailing in the country at the point of starting the manufacturing plant

Economic factors- important details like supply, demand, consumer trends, economic preferences, costing, discounting etc., will be studied

Legal and financial factors- analysing the legal requirements in the establishment of the project, simple contracts entered with suppliers of raw materials, financiers, real estate owners etc.

Developmental and institutional support factors- role of government in providing support in matter of land, infrastructure, finance, regulations etc.

23. Attributes of the product/service: Arvind will have to look into the quality of bag he proposes to manufacture; the raw material required, its quality, its customer value, its market needs and price should also be seen. 6

Market survey and analysis: He will have to survey the market in which he proposes to sell the leather bags – what are the needs of the customers, the quality preferred by the customer and the assumed sales in the market.

Operational plan: He needs to make a strategy which will maximise production. The report should talk about the methods of production, the quality of leather used to make the bags, methods to optimise the resources. He should provide a flow chart of the operational plan providing vital statistics of various elements involved in the operation of the enterprise.

Marketing strategies: The report should depict all dimensions of marketing strategies- adequate advertising, tie-up with local retailers to sell the bags, cost effectiveness of making the bag reachable to the final customers.

Financial profile: He should prepare an exact assessment of the revenues, costs, profits and losses, cash flow dynamics, stock of raw material and finished goods, loans taken for the project etc., which has to be reflected.

Future projection: Forecasting the future projection of the enterprise is essential for the health of the organisation. He will have to specify the places where he would like to expand in future. He would also have to specify the range of products which he would like to venture out in future.

OR

Project Report

1

Objectives:

- Identifying the requirement of the resources (technical, financial, commercial, managerial and operational)
- To assess the scope and range of the success of the enterprise before its actual commencement
- To obtain the opinions of experts from various fields viz., technical, financial, marketing, production, legal etc.,
- To enable the licensing of the enterprise by the concerned authorities and seeking registration for various utilities like land, water, electricity, transport and communications etc.,
- For financial appraisal of the project by financial institutions, banks, insurance companies etc.,
- To find the critical components of the project idea. (1/2 x 6=3 marks)

Uses:

For the entrepreneur:

It is a blue print that helps him to explain his idea in factual terms to his associates, financiers, clientele and the market. It can be in the form of SWOT analysis so that he could identify the challenges ahead.

For financial institutions/bankers:

Most entrepreneurs depend on the financial support given by the banks and the financial institutions. Before extending the financial assistance, the bankers would like to evaluate the feasibility and the profitability of the enterprise which can be assessed through the project report

For the government:

The initiation and establishment of an enterprise is associated with many formalities to be completed including licensing. There may be various statutory and legal requirements (land tax, sales tax etc.,) which can be executed based on a project report. (Any 2=1 mark each)

24. Innovation is the process of entrepreneurship. It involves the translation of a useful idea (2 marks) into an application which has commercial value.

Element involved in the innovation process: (1 mark for each element)

- a. Analytical planning:
Involves: - Identification of enterprise
- Marketing strategy
- Financial need
- b. Organising resources:
Involves: - Obtaining materials
- Obtaining technology
- Human Resources
- Capital
- c. Implementation:
Involves: - Organising systems
- Delivering results
- d. Commercial application:
Involves: - Providing value to customers
- Rewards for employees
- Satisfaction for all stakeholders

OR

- a). Variable price method: 3
 - Policy of different prices from different customers depending on the situation prevailing in the market
 - Minimum price is decided by the total cost of the product and maximum price is determined by the ability of the customer to pay
 - Bargaining plays a critical role
 - Enterprise adopting this technique may not be able to sustain the goodwill of the customers
- b). Cost = Rs. 3000
Profit= 12% of Rs.3000
= Rs.360
Sale price of each unit = Rs.3360
Method cost plus Pricing method:
 - Cost of product is first fixed
 - Total cost= variable cost + fixed cost
 - Predetermined cost is added to the cost