



CBSE QUESTION BANK

Chapterwise & Topicwise

CLASS 11

ENTREPRENEURSHIP

REDUCED SYLLABUS

Strictly as per the Reduced CBSE Syllabus released
on 7th July 2020 (CBSE Cir.No.Acad-47/2020)



Chapter wise
& Topic wise
Revision Notes



NCERT Textbook
Questions-Fully
Solved



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Questions
(AI)



Commonly
Made Errors &
Answering Tips





15th EDITION

YEAR 2020-21



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COVERED**

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DELHI**



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PREFACE

It is rightly said that “Change is the only constant.” In the past few months, the world has changed drastically and adapting to these changes is vital for our progress. These are unprecedented times which have called for unprecedented measures. School is being conducted online and classrooms have shifted to computer screens.

To ensure that real learning doesn't stop even in this age of virtual classrooms; Oswaal Books has updated all its products for 2021 examinations. We have upgraded our books to supplement students' need for extensive practice and in-depth understanding of their subjects. Our Question Banks have been redesigned keeping in mind the new & reduced syllabus and new challenges that the students are facing today.

Latest Typologies of Questions like Multiple Choice Questions, Tabular based Questions, Passage based Questions, Picture based Questions, Fill in the Blanks, Match the Following, etc. have been exclusively developed by the Oswaal Editorial Board and included in our Question Banks. All chapters in Oswaal Question Banks are arranged 'TOPICWISE' where each topic is explained in detail and covers all typologies of Questions specified by CBSE along with well-labelled and high-quality figures/diagrams for faster learning. All the questions from NCERT Textbooks, fully solved are included in our books. Along with this Previous Years' Questions from Kendriya Vidhyalaya Sangathan & DDE are also included.

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Some of the key benefits of studying from Oswaal Question Banks are :

1. Chapter-wise/ Topic-wise presentation for systematic and methodical study
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3. Previous Years' Question Papers from **Kendriya Vidhyalaya Sangathan & DDE** are included
4. Questions from various competencies including-conceptual understanding, creative expression, reasoning, justifying and applying literary conventions.
5. Latest Typologies of Questions developed by Oswaal Editorial Board included.
6. Mind Maps in each chapter for making learning simple.
7. 'Most likely Questions' generated by Oswaal Editorial Board with 100+ years of teaching experience.
8. Chapter wise Suggested videos for a Hybrid Learning Experience.

We would like to offer heartfelt gratitude to the amazing people who have helped us in developing this book – our authors, editors, reviewers, and specially students, who regularly send us suggestions which helped in further improvement of this book.

At Oswaal Books, we believe that the question of quality education shouldn't stay unanswered.

Wishing you all Happy Learning and a successful 2020-21!

-Team Oswaal



Dear Oswaal Friends, I am very thankful for your books as they helped me a lot in my studies. It's really incredible how Oswaal Books aids in memorising with interesting concepts like Mind Maps, Chapter-wise and Topicwise presentations. Oswaal Books is surely an easy approach to excellence. Thanks, Oswaal!

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Anurav Amlan



I am following OSWAAL SAMPLE PAPERS of Physics for classes 11th and 12th. Oswaal Books have excellent presentation, sublime concepts of teaching and an apt approach to exam-oriented pattern. I want to congratulate your team members for exceptional work.

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Arkadyute Nath, Student,
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I am deeply contended with the quality of Oswaal Books. I have purchased your books for the first time and really amazed with it. Mind maps, key notes, tips and everything is great.

★★★★★

Akanksha Sinha, Student,
Hazaribagh, Jharkhand



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As per the Latest Reduced Syllabus released by CBSE for Academic Year 2020-2021, the chapters marked in grey have been omitted. Therefore, questions from these will not be asked in the final examination.



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These questions are selected by Oswaal Books Proprietary *Artificial Intelligence Algorithm*. They are highly likely to be asked in the upcoming examinations.



CBSE-Acad/Circular/2020

Date: 07 July, 2020

Circular No: Acad 47/2020

All Heads of Institutions affiliated to CBSE

Subject : Revised Academic Curriculum for the session 2020-21

The prevailing health emergency in the country and at different parts of the world as well as the efforts to contain the spread of Covid-19 pandemic has resulted in loss of class room teaching due to closure of schools. Therefore the Board has decided to revise the syllabi for classes IX-XII for the academic session 2020-21. The changes made in the syllabi have been finalised by the respective Course Committees with the approval of the Curriculum Committee and Governing Body of the Board.

The revision of syllabi is a measure taken due to the extraordinary situation prevailing in the country and at different parts of the world. Considering the importance of achieving the level of learning, the syllabus has been rationalised to the extent possible by retaining the core concepts.

The Heads of Schools and Teachers may ensure that the topics that have been reduced are also explained to the students to the extent required to connect different topics. **However the reduced syllabus will not be part of the topics for Internal Assessment and year-end Board Examination.** Alternative Academic Calendar and inputs from the NCERT on transacting the curriculum using different strategies may also be part of the teaching pedagogy.

For Elementary Classes (I-VIII) schools may follow the Alternative Academic Calendar and Learning Outcomes specified by NCERT.

The revised syllabi are available at the link: http://cbseacademic.nic.in/Revisedcurriculum_2021.html

(Dr. Joseph Emmanuel)
Director (Academics)



F.No.CBSE/DIR(ACAD.)/2020

March 16th, 2020

Circular No. Acad-18/2020

All Heads CBSE affiliated schools

Subject: Strengthening Assessment and Evaluation Practices of the Board

Competency Based Education (CBE) is an outcome based approach to schooling, where attainment of goals takes priority. Learning Outcomes (LOs) are defined in terms of competencies and capacities, which students acquire and demonstrate at the end of instructional programme. In CBE, explicitly defined learning outcomes guide instruction; instruction is more flexible, learner centric, learner-led and provides multiple opportunities for learning; and assessment is authentic and examines if the students are able to apply required concepts in real life situations.

The Board vide Circular No. Acad-05/2019 dated 18.01.2019 has adopted Learning Outcomes developed by NCERT and the theme of the Capacity Building Programmes for the year 2020 is Competency Based Education. Augmenting the thrust towards CBE, the Board is initiating corresponding changes in the Examination and Assessment practices for the year 2020-21 onwards.

While the overall marks and duration of examination shall remain same, change in the composition of assessment tasks would help us achieve the desired ends.

The changes for classes IX-XII (2020-21) year-end/Board Examination are as under:

Classes XI-XII		
Year-end Examination /Board Examination (Theory)	(2019-20) Existing	(2020-21) Modified
Composition	<ul style="list-style-type: none"> Objective type Questions including Multiple Choice Questions Short Answer type/Long Answer type Questions 	<ul style="list-style-type: none"> Objective type including Multiple Choice Questions- 20% Case-based/ Source-based Integrated Questions- 10% Short Answer/Long Answer type questions- Remaining

Curriculum document for the Academic Session 2020-21 to be released in March, 2020 will reflect the respective changes for the individual subjects.

(Dr. Joseph Emmanuel)
Director (Academics)



F.1001/CBSE-Acad/Curriculum/2020

March 31, 2020

Cir No Acad-21/2020

All Heads of Institutions affiliated to CBSE

Subject : CBSE - Secondary and Senior School Curriculum 2020-21

1. The curriculum refers to the lessons and academic content to be taught to a learner in the school. It encompasses general objectives of learning, courses of study, subject- wise instructional objectives and content, pedagogical practices and assessment guidelines.
2. The curriculum provided by CBSE seeks to provide opportunities for students to achieve excellence in learning based on the National Curriculum Frame work-2005 and are adopted/ adapted from the NCERT Curriculum.
3. It is important that schools ensure curriculum transaction as per directions given in the Curriculum document. The subjects to be taught must be as per syllabi given. Before going through the syllabus, the teachers must be well-versed with the strategies given in the initial pages of the curriculum. Therefore, it is desired that the head of the school may circulate the initial pages of the curriculum and the syllabi to all the teachers and ensure that curriculum is transacted as per the directions given therewith for optimal learning and specifically to avoid difficulties for students at the time of the examinations.
4. It is reiterated that any deviation in transaction of the curriculum may seriously affect assessment of the student's learning level and the preparation for the Board examinations. Please note that the Evaluation will be carried out exactly according to the syllabi given for the current academic year. Sample Question Papers with detailed design of the Question Paper will be made available on CBSE website during the progress of the academic session for reference.
5. Please refer to Circular No.Acad /18 dated March 16, 2020 on strengthening the Assessment and Evaluation Practices of the Board to know about the proposed changes. Hence, all the teachers and students are cognizant of the Curriculum Document (Initial Pages and Syllabus) in totality, which is available on www.cbseacademic.nic.in.
6. The Board will consider possible loss of instructional time in the academic session 2020-21 due to the closure of schools to prevent spread of COVID-19 as per directions from the Central Government and various State/UT Governments. Revision if any required in the syllabi and course and the pattern of Examination of various subjects on account of the above will be chalked out in consultation with the Course Committees of each subject as well as with the Examination Committee of the Board and notified in due course of time.

(Dr. Joseph Emmanuel)
Director (Academics)



Reduced Syllabus for Academic Year (2020-21)

ENTREPRENEURSHIP CLASS-XI

Objectives:

- To develop Entrepreneurial mindset among Higher Secondary School children.
- To encourage school children to opt for self-employment as a viable option for earning dignified means of living.
- To enable students to appreciate the dynamic changes happening in the economy.
- To acquaint the students about the role of Entrepreneurship in the growth and economic development of the nation.
- To promote Entrepreneurship as life-skills to improve quality of life, skills of creation and management of entrepreneurial pursuits.

One Theory Paper

Max. Marks : 70

Time : 3 Hours

S. No.	Unit	No. of Periods	Marks
1	Entrepreneurship : Concept and Functions	15	15
2	An Entrepreneur	25	20
3	Entrepreneurial Journey	30	
4	Entrepreneurship as Innovation and Problem Solving	30	
5	Understanding the Market	40	15
6	Business Finance and Arithmetic	30	20
7	Resource Mobilization	30	
	Project Work	40	30
	Total	240	100

COURSE CONTENT

Unit 1 : Entrepreneurship: Concept and Functions

15 Periods

Competencies- Vision, Decision making, Logical, Critical and Analytical Thinking, Managing Skills	
Contents	Learning Outcomes
<ul style="list-style-type: none"> ● Entrepreneurship – Concept, Functions and Need ● Why Entrepreneurship for You ● Myths about Entrepreneurship ● Advantages and Limitations of Entrepreneurship ● Process of Entrepreneurship ● Entrepreneurship – The Indian Scenario 	<p>After going through this unit, the student/learner would be able to :</p> <ul style="list-style-type: none"> ● Understand the concept of Entrepreneurship ● Explain the Functions of an Entrepreneur ● Appreciate the need for Entrepreneurship in our economy ● Assess how entrepreneurship can help shape one's career ● State the myths, advantages and limitations of Entrepreneurship ● Discuss the steps in the process of Entrepreneurship ● Describe the current scenario of Entrepreneurial activity in India



Unit 2 : An Entrepreneur

25 Periods

Competencies: Need, Achievement, Motivation, Ethics, Opportunity seeking, Passion, Independence	
Contents	Learning Outcomes
<ul style="list-style-type: none"> Why be an Entrepreneur Types of Entrepreneurs Competencies and characteristics Entrepreneurial Values, Attitudes and Motivation Intrapreneur: Meaning and Importance 	<p>After going through this unit, the student/ learner would be able to:</p> <ul style="list-style-type: none"> Understand the motivation to become an entrepreneur Differentiate between various types of entrepreneurs Explain the competencies of an Entrepreneur Appreciate the importance of Ethical Entrepreneurship Appreciate the difference between Entrepreneur and Intrapreneur

Unit 3 : Entrepreneurship Journey

30 Periods

Competencies: Scanning the environment; Information seeking; Creativity; Innovativeness; Divergent thinking; Perseverance	
Contents	Learning Outcomes
<ul style="list-style-type: none"> Idea generation. Feasibility Study and opportunity assessment Business Plan: meaning, purpose and elements Execution of Business Plan 	<p>After going through this unit, the student/learner would be able to :</p> <ul style="list-style-type: none"> Understanding ways of idea generation. Discuss the concept of types of feasibility study Draft a basic business plan Understand the reasons for success and failure of business plan

Unit 4 : Entrepreneurship as Innovation and Problem Solving

30 Periods

Competencies: Risk taking; Determination; Initiative; Problem solving ability; Adaptability to changing technologies	
Contents	Learning Outcomes
<ul style="list-style-type: none"> Entrepreneurs as problem solvers Innovations and Entrepreneurial Ventures – Global and Indian Role of Technology – E-commerce and Social Media Social Entrepreneurship - Concept 	<p>After going through this unit, the student/learner would be able to :</p> <ul style="list-style-type: none"> Understand the role of entrepreneurs as problem solvers Appreciate the role of global and Indian innovations in entrepreneurial ventures Understand the use of technology and digitization for new businesses. Discuss the concept of social entrepreneurship



...contd. Syllabus

Unit 5 : Understanding the Market

40 Periods

Competencies: Task oriented, Opportunity seeking, Resourcefulness, Organizational skills, Analytical and Logical reasoning

Contents	Learning Outcomes
<ul style="list-style-type: none"> Market; Concept, Types Micro and Macro Market Environment Market Research - Concept, Importance and Process Marketing Mix 	<p>After going through this unit, the student/learner would be able to :</p> <ul style="list-style-type: none"> Scan the market environment Learn how to conduct market research Understand the elements of marketing mix

Unit 6 : Business Finance and Arithmetic

30 Periods

Competencies: Arithmetic skills, Critical analysis, Decision-making, Self-confidence, Problem solving.

Contents	Learning Outcomes
<ul style="list-style-type: none"> Unit of Sale, Unit Price and Unit Cost - for single product or service Types of Costs - Start up, Variable and Fixed Break Even Analysis - for single product or service 	<p>After going through this unit, the student/learner would be able to :</p> <ul style="list-style-type: none"> Discuss- Unit Cost, Unit of Sale, Unit Price of a product or service Understand the components of COST - Start-up and operational costs Calculate break even of single product and service

Unit 7 : Resource Mobilization

30 Periods

Competencies: Resourcefulness; Collaboration; Managing Risk; Organizational Skills; Informed Decision Making

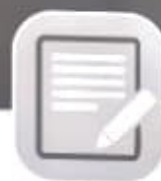
Contents	Learning Outcomes
<ul style="list-style-type: none"> Types of Resources -Physical, Human, Financial and Intangible. Selection and utilization of human resources and professionals like Accountants, Lawyers, Auditors, Board Members, etc. 	<p>After going through this unit, the student/learner would be able to :</p> <ul style="list-style-type: none"> Identify the different types of resources tools - Physical and material, Human, Financial, Intangibles

Project Work (Any Two files)

40 Periods

- Visit of the District Industries Centre and prepare a report of activities and programs undertaken by them.
- Conduct a case study of any entrepreneurial venture in your nearby area.
- Field Visit: Visit any business firm near your locality; interact with the owner of the business firm and prepare a field report on parameters like: type of business, scale of business, product/service dealing in, target customer, problems faced and measures to solve the faced challenges.
- Learn to Earn
- Know your State Handicraft and Handlooms as a means of economic activity for the livelihood of people and intellectual property rights attached to them for the promotion of local specific skills.
 - 10 Marks each for 02 Projects
 - 5 Marks for Numerical Assessment
 - 5 Marks for Viva

Note: Students need to complete two projects. Guidelines for project are given in the CBSE Textbook.



QUESTION PAPER DESIGN

Entrepreneurship (Code No. 066)

Class XI (2020-21)

Time: 3 Hours

Max Marks: 70 Theory + 30 External Assessment (Project Based+ VIVA by an external examiner)

S. No.	Competencies	Total Marks	% Weightage
1.	Remembering : Exhibit memory of previously learned material by recalling facts, listing elements, terms and basic concepts. Understanding : Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas.	20	28.5%
2.	Applying : Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in different ways.	30	43%
3.	Analysing and Evaluating : Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations, integrated learning; Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria. Creating : Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	20	28.5%
TOTAL		70	100%

□□

DELETED PORTION CLASS XI

Unit 1 Chapter 1- Entrepreneurship: Concepts and function Chapter 2 – An Entrepreneur	No change
Unit 2 Chapter 3- Entrepreneurial journey Chapter 4- Entrepreneurship as innovation and problem solving	Chapter 3 – Self assessment of qualities, skills, resources and dreams 4 marks Chapter 4 – Risk taking- concept and types 4 marks
Unit 3 Chapter 5- Concept of market	Chapter 5 – No change
Unit 4 Chapter 6 – Business Finance and arithmetic Chapter 7- Resource mobilization	Chapter 6- Income statement 2 marks and Cash Flow Projection 3 marks Chapter 7 – Estimating financial resources requirement; Methods of meeting financial requirements; Size and capital – based classification 8 marks

□□

Oswaal Gratitude Journal



*A grateful heart is a
magnet for miracles*





My Gratitude Journal



1	2	3	4	5
6	7	8	9	10
11	12	13	14	15
16	17	18	19	20
21	22	23	24	25
26	27	28	29	30

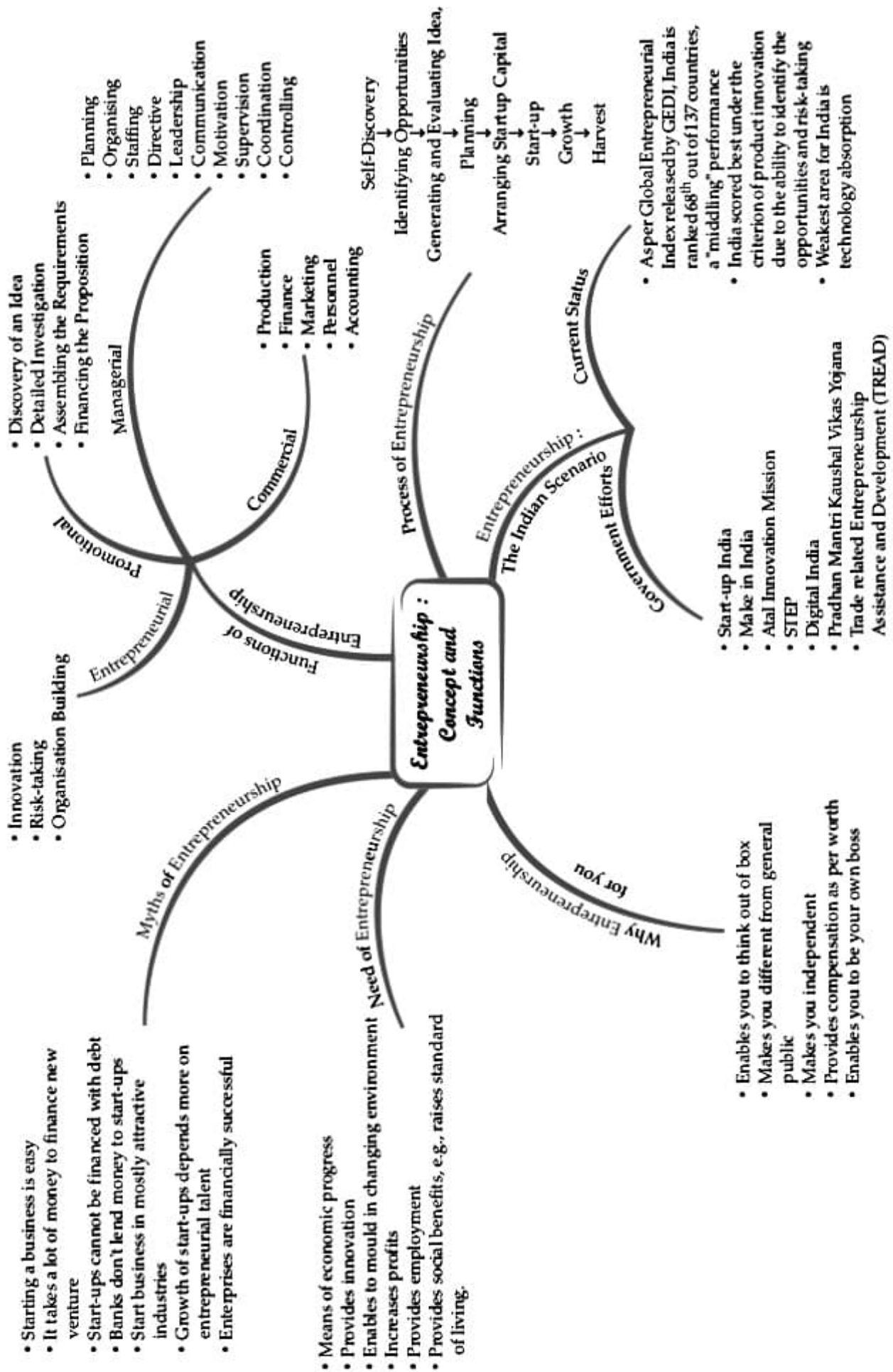


Name..... Class.....

Email..... Phone No.....

Address.....





CHAPTER

1

ENTREPRENEURSHIP: CONCEPT AND FUNCTIONS

Syllabus

Contents

- *Entrepreneurship – Concept, Functions and Need*
- *Why Entrepreneurship For You*
- *Myths about Entrepreneurship*
- *Advantages and Limitations of Entrepreneurship*
- *Process of Entrepreneurship*
- *Entrepreneurship – The Indian Scenario*

Learning Outcomes

After going through this unit, the student/learner would be able to :

- *Appreciate the need for Entrepreneurship in our economy.*
- *Assess how entrepreneurship can help shape one's career.*
- *Examine the myths, advantages and limitations of Entrepreneurship.*
- *Describe the steps in the process of Entrepreneurship.*
- *Discuss the current scenario of Entrepreneurial activity in India.*



TOPIC-1

Entrepreneur & Entrepreneurship

TOPIC - 1

Entrepreneur & Entrepreneurship

..... P. 02

TOPIC - 2

Entrepreneurship-Myths, Process &
The Indian Scenario

..... P. 06

Revision Notes

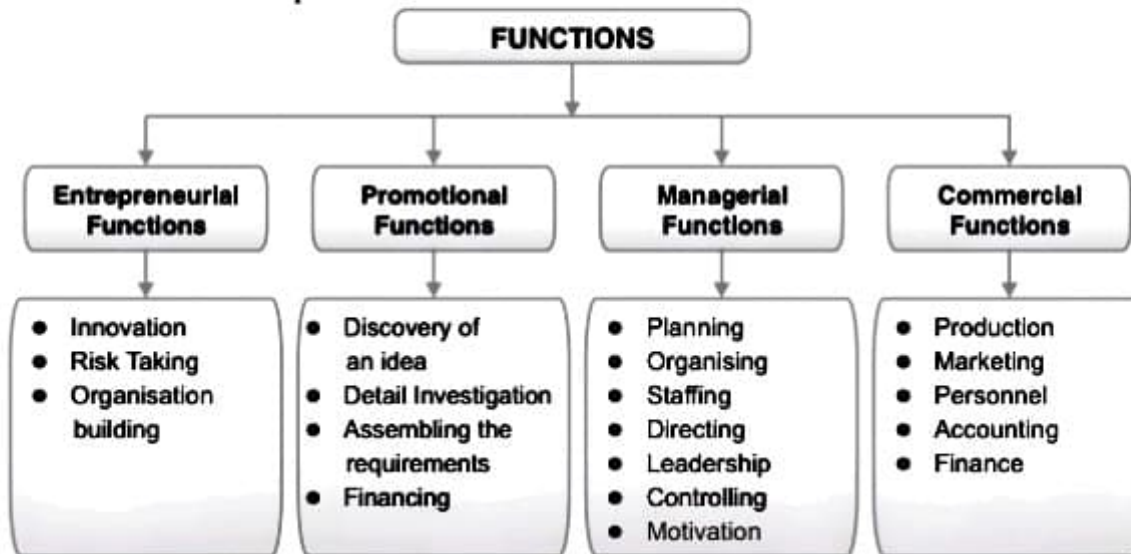
- **Entrepreneur:** Entrepreneur is a person who perceives opportunities, synthesizes the available information and analyses emerging patterns that escape the attention of other people. They are people with vision, capable of persuading others, such as customers, partners, employees and supplier to see the opportunity, share and support it.
- **Entrepreneurship:** Entrepreneurship is the function which involves grabbing of an opportunity, organizing the resources and undertaking the production and other activities.
- **Need for Entrepreneurship :**
 - (i) Entrepreneurship is considered as 'Life-line of a nation'.
 - (ii) It provides good environment for innovation.
 - (iii) Change of growth /Inclusive growth.
 - (iv) It helps in increasing the profits of an enterprise.
 - (v) It creates various employment opportunities for the people.
 - (vi) It improves the standard of living of the people by providing them good quality products and services at the lowest possible cost.

Scan to know
more about
this topic

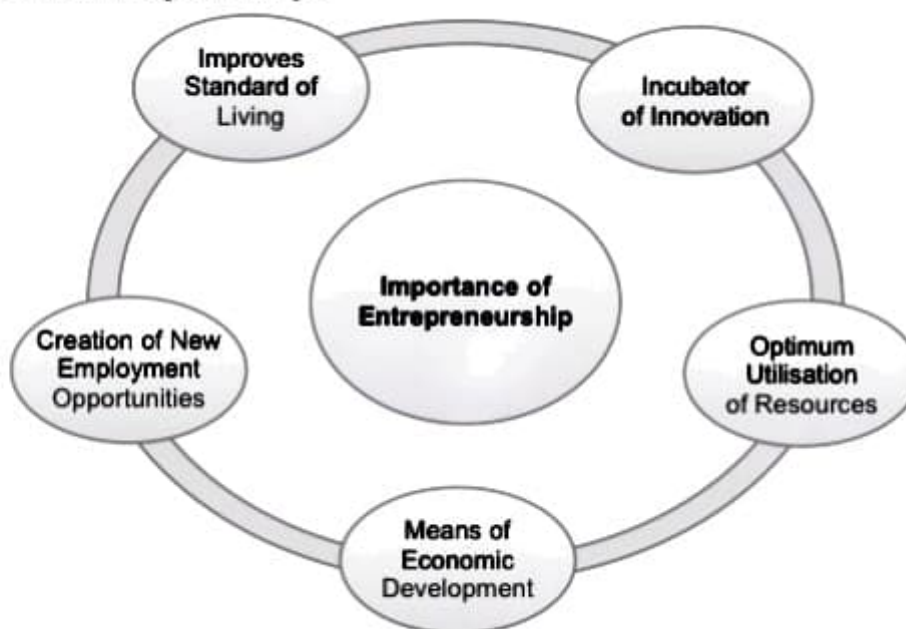


Need for
Entrepreneurship

➤ **Functions of an Entrepreneur**



➤ **Importance of Entrepreneurship :**



Know the Terms

- **Moderate Risk** : An entrepreneur takes always calculated risk which he can afford, it is also known as Moderate risk.
- **Discovery of an idea** : It means exploring new opportunities and resources to find a Business idea.
- **Assembling Requirements** : Once entrepreneur is sure with his idea, he needs to arrange plant and machinery, raw material, human resources, etc.
- **Personnel** : Employees who are supporting an entrepreneur and contributing in achieving organisational objectives are known as Personnel.
- **Accounting** : It is the art of recording financial transactions in the books of accounts in a systematic manner.
- **Organisation building** : It refers to the bringing together of the various factors of production.
- **Financing the proposition** : It refers to the capital structure of the enterprise.
- **Factors of Production** : They refers to inputs used in production of goods and services, viz., Land, Labour, Capital and Human Resources.
- **Staffing** : Staffing is a process of discovering and obtaining competent personnel for various jobs. It includes recruitment, selection, training and development, etc.
- **Innovation** : Providing a new product, doing something new and different.
- **Profit** : This is the reward of the risk taken by an entrepreneur.
- **Business Opportunity** : Converting an idea or problem into a successful business venture.

Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

- _____ is a catalytic agent of change and works for the good of people. **R**
- An entrepreneur is a person who starts an enterprise and converts a situation into _____. **R**
- As an _____ the entrepreneur has to introduce new combinations of the means of production, new product, new market for a product and new sources of raw material. **R**

AI 4. Planning is the basic _____ function of an entrepreneur. **U**

- Narrating an incident from Dhirubhai's life, his son Mukesh recalls that, when Dhirubhai was flown to Jamnagar and shown a piece of barren land, he asked why mangoes could not be grown there. The officials informed him that the land was not fertile enough for mango crop. Dhirubhai took it as a challenge and told those officials that it was for the same reason why mangoes ought to be grown there. After just a few years, the entire land of about 2000 acre had been converted green and 6000 tonne of mango crop was harvested from the same land. The function of entrepreneur, stated in the above paragraph is _____. **A**

Ans. 1. Entrepreneur, 2. Opportunity, 3. Innovator, 4. Managerial, 5. Risk-Taking.

(B) State whether the following statements are True or False:

- Directing function of entrepreneur is concerned with carrying out the desired plans. **U**
- The growth of a start-up depends more on an entrepreneur's talent than on the business he chooses. **U**

AI 3. Ritesh Agarwal has had an interesting childhood. He was never fond of studies so he dropped formal education out of his plans. The idea of Oravel Stays struck him when he was 18. The basic idea was a budget hotel chain that provides B & B. Realizing that no other service offered a room for a budget traveller, Ritesh took the idea from Oravel stays to OYO rooms and Ritesh Agarwal started OYO with 11 only rooms in a Gurgaon hotel.

The function of entrepreneur stated in the above paragraph is 'Discovery of an idea'. **A**

Ans. 1. True, 2. False, 3. True.

(C) Multiple Choice Questions:

- 'Entrepreneurs introduce something new to any branch of economic activity.' Out of the following, identify the entrepreneurial function stated in the above line. **U**

- Risk Taking
- Organisation Building
- Innovation
- None of the above

Ans. (c) Innovation

- Which of the following is not an advantage of entrepreneurship? **U**

- Excitement
- Originality
- Independence
- Scheduled work hours

Ans. (d) Scheduled work hours

- Mr. Bhavish Aggarwal and Mr. Ankit Bhati are the two IIT-B graduates, who are Co-founders of India's most popular cab hub Ola Cabs. This entrepreneurship idea was formed after a weekend trip on a rented cab which had gone terribly for Bhavish. Then he thought of bringing transparency and convenience to consumers in India.

The concept stated in the above para is: **A**

- Entrepreneurship
- Planning
- Investment
- None of the above

Ans. (a) Entrepreneurship

- KFC was started in Corby, Kentucky, USA by Sanders. He was operating a gas service station. He noticed that the travelers visiting his service station were hungry and looking for some eatables. Sanders knew a secret blend of 11 herbs and spices with which he can prepare tasteful chicken recipe. He started to serve this recipe to the travellers. This recipe became a bit hit and to cope up the demand he started a restaurant. This led to the inception of "KFC-Kentucky Fried Chicken". Identify the entrepreneurial function stated in the above line. **A**

- Planning
- Discovery of an idea
- Accounting
- Assembling the requirements

Ans. (b) Discovery of an idea

Short Answer Type Question-I

(2 marks each)

AI Q.1. Do you think that following people are entrepreneurs? **U**

- Vegetable vendor
- Newspaper distributor
- Laundry service

Ans. Yes, people who are vegetable vendor, newspaper distributor and providing laundry services should be considered as entrepreneurs. They do not take high risk and are not involved in any innovation but they are part of economic activity so they should be considered as entrepreneurs. **2**

Commonly Made Error

- Students write that they are not entrepreneur because they are not taking risk and also they are not innovators.

Answering Tip

- Relate their work with the level of risk they are taking. If they are taking risk upto any extent, they are entrepreneur.

Q. 2. How would you define 'Entrepreneur', 'Entrepreneurship' and 'Enterprise'? [U]

Ans. Entrepreneur is a person who starts an enterprise and he is responsible for the outcome of the

business. Entrepreneurship is a platform where people find opportunity through their creativity and innovation and convert that idea or opportunity into a profitable venture. The outcome of the efforts made by entrepreneur and entrepreneurship is called Enterprise. 2

Q.3. Why role of private entrepreneurs is increased in India by the Indian Government? [U]

Ans. The role of private entrepreneurs is increased because of the liberal economic policies followed by the Indian Government since 1991. Private entrepreneurs can contribute more in the economic development of the country. 2

Short Answer Type Question-II

(3 marks each)

Q.1. What is meant by 'Discovery of an idea'? Give one example. [U]

Ans. Discovery of an idea means looking for an opportunity which can be converted into a profitable venture. Entrepreneur plays important role in assessing business idea which can be profitable to the firm.

Example : Karsan Bhai Patel, owner of Nirma Washing Powder, who was working as a factory chemist in Gujarat Mineral Development Corporation, started making detergent powder in the backyard of the house. This idea was a huge success. 3

Q. 2. "An entrepreneur performs various managerial functions. Out of which 'controlling' function is more powerful". Describe how. [U]

Ans. Controlling helps in entrepreneur in taking corrective action if performance is not according to the predetermined standards. It is the process of comparing actual performance with the established standards of performance. It helps

in decision making and also reduces the risk and cost. 3

Q.3. Why Entrepreneurship is considered as life line of a nation? [AE]

Ans. Yes, Entrepreneurship is considered as life line of a nation. Entrepreneurship helps in the constructive development of this lifeline. No country can progress without the development of entrepreneurship. These days every country is putting efforts in improving and promoting their trades so that they can share the benefit of development. The main purpose of entrepreneurship is not only to provide jobs, but also developing and adopting innovations that lead to improvements in the quality of the life of the people.

Entrepreneurship plays an influential role in the economic growth and standard of living of the country. Therefore, entrepreneurship is the tool to measure the level of development of a country. 3

Long Answer Type Questions-I

(4 marks each)

Q.1. What is meant by the Planning function of an entrepreneur? [U]

Ans. Planning is a primary function of entrepreneur. Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. In simple words, planning is deciding in advance what is to be done. It is a thinking process to assess the future and make provision for it. Planning bridges the gap from where we are and where we want to go. It is a course of action to be taken in future. It involves selection of objectives to be achieved as well as the activities required to achieve the objectives. Planning is required at all levels and in all departments of the organization. 4

Q.2. Explain the following advantages of Entrepreneurship. [R]

- (i) Excitement
- (ii) Originality
- (iii) Independence
- (iv) Rational salary

Ans. Advantages of Entrepreneurship:

- (i) **Excitement :** An entrepreneur takes moderate risk of starting an enterprise because of excitement and adventure involved in the process of entrepreneurship. For example, Steve Jobs left his position in Apple Inc., and started Pixar, which later turned out to be a successful business venture.

- (ii) **Originality:** Sometimes an entrepreneur feels that he can offer a new product to the customers which is not produced before. For example, I-pod and I-pad.
- (iii) **Independence:** Some people do not like to work under others. They wish to be their own boss so that they can take all decisions independently. They like to start their own business instead of looking for job.
- (iv) **Rational salary:** Entrepreneurs do not get salary but they work hard to earn money. They earn more than a salaried person and they also improve their standard of living. 4

Q. 3. Explain the disadvantages of Entrepreneurship. [R]

Ans. Disadvantages of Entrepreneurship:

- (i) **Salary:** It may become a serious issue in any enterprise if an entrepreneur gives priority to his own income in the form of salary. Entrepreneur must be willing to give up the security of a regular pay check.
- (ii) **Benefits:** Entrepreneur will enjoy fewer benefits in the beginning because business is just started off. If he tries to give more benefits to himself then business may suffer in the long run.
- (iii) **Work schedule:** There is no fixed time of working of an entrepreneur. His work schedule is always unpredictable. He works hard and late hours may become his habit and sometime a culture or tradition.
- (iv) **Administration:** Entrepreneur makes his all decisions himself. Sometimes he may take a wrong decision which may lead to shut down the business. So fear of a wrong decision can have its own effect.
- (v) **Incompetent staff:** Entrepreneur may be enthusiastic and energetic but he needs good employees who can support him in achieving

the organisational objective. Incompetent and inexperienced staff may put him in a serious problem. (Any four) 4

Q. 4. What is the need for detailed investigation of idea? [R]

Ans. An entrepreneur should make detailed investigation of an idea due to the following reasons :

- (i) It helps in estimating the total demand of the product.
- (ii) Financial requirement can be assessed.
- (iii) It helps in assessing the need for resources like power, labour, raw materials and machinery.
- (iv) The work estimation becomes easy. 4

Q. 5. Entrepreneurship is all about creating innovation. Comment. [U]

Ans. Entrepreneurship is a systematic innovation which consists of the purposeful and organized search which helps in converting an opportunity into a business opportunity. Through innovation, entrepreneur provides new ideas, technology, market and products, which enhance the process of economic development.

According to the Schumpeter, "The basic function of entrepreneur was to innovate".

Entrepreneur is called problem solver because he uses innovation to solve the problem.

Innovation is the combination of the three things i.e. natural, physical and mental labour.

An entrepreneur is called innovator because he always focus on:

- (i) Introducing new combinations of the means of production.
- (ii) Finding new product or a new market for the product.
- (iii) Finding new sources of raw material. 4



TOPIC-2

Entrepreneurship–Myths, Process & The Indian Scenario

Revision Notes

➤ Myths of Entrepreneurship :

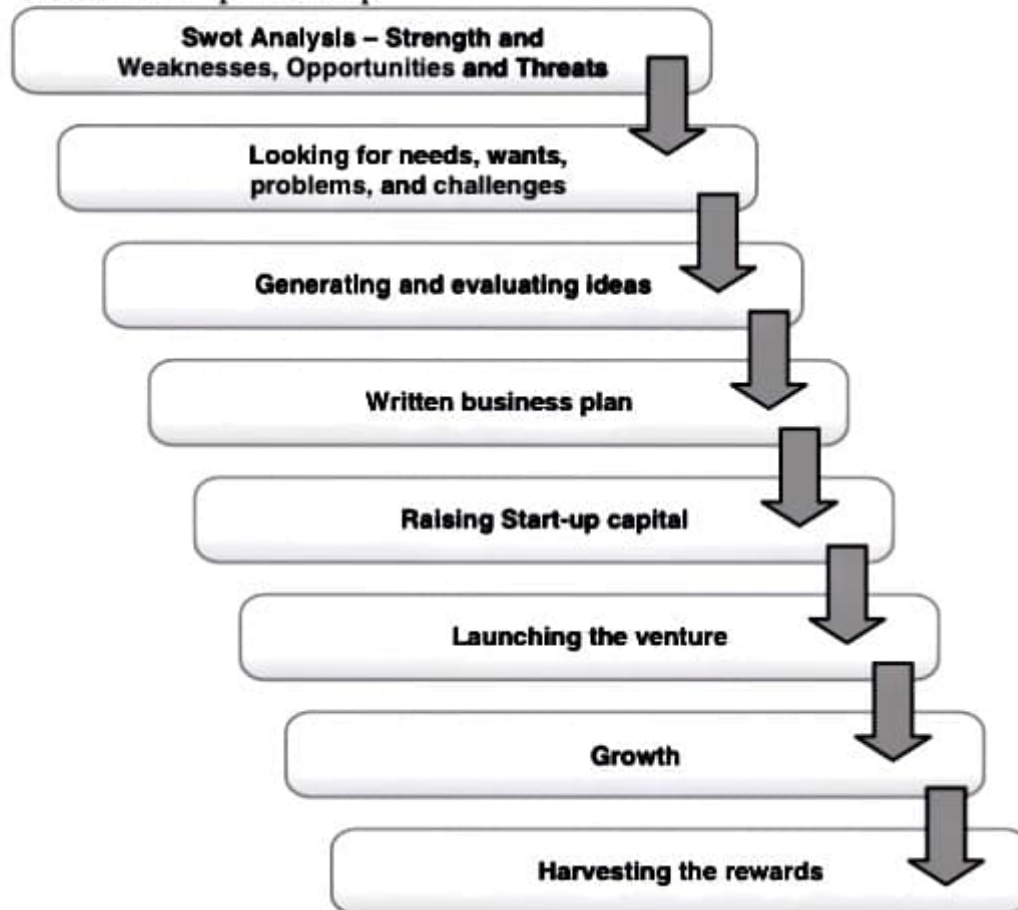
- (i) Starting a business is easy.
- (ii) It takes a lot of money to finance a new business.
- (iii) Start-ups can't be financed with debt.
- (iv) Banks don't lend money to start-ups.
- (v) Most entrepreneurs start businesses in attractive industries.
- (vi) The growth of a start-up depends more on an entrepreneur's talent than on the business he chooses.
- (vii) Most enterprises are successful financially.

Scan to know
more about
this topic



Myths of
Entrepreneurship

➤ Process of Entrepreneurship



➤ Entrepreneur – The Indian Scenario :

India's performance as per the GEDI index : According to GEDI, India is ranked 68th out of 137 countries, a "middling" performance. As per the Asia Pacific region, India is again the middle position, 14th out of 28 countries. India's strongest strength area is product innovation where its performance is equal to the best in the world.

➤ A few of India's efforts at promoting entrepreneurship and innovation are :

- (i) Startup India
- (ii) Make in India
- (iii) Atal Innovation Mission (AIM)
- (iv) Trade related Entrepreneurship Assistance and Development (Tread)
- (v) National Skill Development Mission

Know the Terms

- **Self-Discovery** : It is concerned with knowing strengths and weaknesses and opportuneness available. An entrepreneur should conduct SWOT analysis time to time. It helps in knowing the Strength, Weaknesses, Opportunities and threats to the enterprise in near future.
- **Harvesting**: When an entrepreneur moves to the next venture by selling its established business which is known as Harvesting the reward.
- **Growth**: Growing the business by using creativity and innovation.
- **Myths**: Beliefs which may or may not be true.
- **Debt**: It is a source of finance used by the entrepreneurs to start a new business or for the growth of the enterprise.
- **Start-up**: Starting a new business.
- **Agent of progress**: An entrepreneur who brings change in the society.



Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

1. _____ is an agent of progress in the society. R
2. The main need for entrepreneurship in any country is for _____. U

3. In India, role of both the government and the _____ is equally important. U

Ans. 1. Entrepreneur, 2. Economic Development, 3. Private entrepreneurs.

(B) State whether the following statements are True or False:

- Harvest is the step in entrepreneurship process, in which entrepreneur develop and follow strategic plans and adapt to new circumstances. **U**
- In India, private entrepreneurs as well as the government plays the important role of an entrepreneur. **A**

Q1 3. It was in 1969 that Dr. Karsanbhai Patel started Nirma and went on to create a whole new segment in the Indian domestic detergent market. During that time the domestic detergent market only had the premium segment and there were very few companies, mainly the MNCs, which were into this business.

Karsanbhai Patel used to make detergent powder in the backyard of his house in Ahmedabad and then carry out door to door selling of his hand made product. He gave a money back guarantee with every pack that was sold. Karsanbhai Patel managed to offer his detergent powder for ₹ 3 per kg when the cheapest detergent at that time was ₹ 13 per kg and so he was able to successfully target the middle and lower middle income segment.

The myth of entrepreneurship stated in the above case is, 'It takes a lot of money to finance a new business'. **A**

Ans. 1. False, 2. True, 3. True.

(C) Multiple Choice Questions:

Q1 1. 'Entrepreneurs introduce something new to any branch of economic activity.' Out of the

following, identify the entrepreneurial function stated in the above line. **U**

- Self-Discovery
 - Planning
 - Generating and evaluating ideas
 - Identifying opportunities
- (i), (ii), (iii), (iv)
 - (iv), (iii), (ii), (i)
 - (i), (iv), (iii), (ii)
 - (iv), (i), (ii), (iii)

Ans. (c) (i), (iv), (iii), (ii)

2. Before co-founding LinkedIn and investing in big names like PayPal and Airbnb, Hoffman created Social Net, an online dating and social networking site that ultimately failed. Out of the following, identify the myth of entrepreneurship stated in the above : **A**

- Starting a business is easy
- It takes a lot of money to finance a new business
- Start-ups can't be financed with debt
- Most entrepreneurs start businesses in attractive industries

Ans. (a) Starting a business is easy

Q1 3. Private Entrepreneurship is not encouraged in under-developed countries because of: **A**

- liberal economic policies
- the degree of risk involved in it
- more control of government
- None of the above

Ans. (b) the degree of risk involved in it



Short Answer Type Questions-I

(2 marks each)

Q. 1. How Entrepreneurs are making markets more competitive? **R**

Ans. Entrepreneurs are making markets more competitive by :

- Innovation, collaboration, merger, franchising and fusion.
- Reducing risk and cost. **2**

Commonly Made Error

- Students generally doesn't know what to write in this answer so write a long paragraph with vague explanation.

Answering Tip

- Students should answer the short questions to the point.

Q. 2. Why role of private entrepreneurs is increased in India by the Indian Government ? **AE**

Ans. The role of private entrepreneurs is increased because of the liberal economic policies followed by the Indian Government since 1991. Private entrepreneurs can contribute more in the economic development of the country. **2**



Long Answer Type Question-II

(6 marks)

Q. 1. Explain any six myths of Entrepreneurship. **R**

Ans. Myths of Entrepreneurship:

(i) **Starting a business is easy**

People believe that starting a business is easy but actually it is not. It is not easy to start a business, in case of small enterprises it may be easy but very difficult to sustain and keep it on track for a long time. It has been observed that after running a business for 5 to 7 years, only 1/3rd of the entrepreneurs have disclosed a positive cash flow.

(ii) **It takes a lot of money to finance a new business**

This is also a serious myth of entrepreneurship that one need huge money to start a business. People who have ignored such myths and started their own business in past with little cash, are doing really well today. For example, Infosys was started with only ₹ 10,000.

(iii) **Banks don't lend money to start-ups**

This is not true because these days bank are providing a great financial support to the start-

ups. Banks have played important role in the growth and development of the top companies of the country. Even India has jumped up into the top 100 rankings on the World Bank's ease of doing business in year 2017.

(iv) Most entrepreneurs start businesses in attractive industries

This is not true because most entrepreneurs are picking industries in which they are most likely to fail.

Examples: Shri Mahila Griha Udyog Lijjat Papad, Bakery business, Travel Agencies and Mobile Apps and Entertainment etc.

(v) Most enterprises are successful financially

This is also another myth. Entrepreneurs work very hard to maintain the financial strength of the business. There is hard earned money which is further used for the growth and development of the enterprise. No enterprise is financially strong from its beginning.

(vi) Start-ups can't be financed with debt

A lot of entrepreneurs use debt rather than equity to arrange funds for their enterprise. Sometimes it may be risky but a manageable ratio of debt and equity can be maintained. 6

CBSE Textbook Questions

Q. 1. Answer each of these questions in about fifteen words.

(i) What is an Enterprise? R

Ans. An entrepreneur is a person who starts an enterprise. An enterprise provides goods and services to the customers and at the same time it generates employment, contributes to the national income and economic development of the country.

(ii) Who is an Entrepreneur? R

Ans. A person who is called an entrepreneur, is an innovator, job and wealth generator. He looks for the opportunities and converts them into a successful business venture. He is problem solver and concept promoter.

Q.1 (iii) Who plays the role of an entrepreneur in a socialist country? U

Ans. In socialist countries, the State (Government) is the entrepreneur. Government is responsible for the growth, development and employment generation in such countries.

(iii) Differentiate between Entrepreneur and Entrepreneurship. U

Ans. Distinction between Entrepreneur and Entrepreneurship:

Basis	Entrepreneur	Entrepreneurship
Process	An entrepreneur is a person who bears the risks, unites various factors of production and carries out creative innovations.	It is a process of identifying opportunities in the market place and utilizing resources in a significant manner.
Objective	The main objective is to bring the change in terms of factor proportions, which is known as innovation.	The main objective of entrepreneurship is to create value.

Q.3. Answer each of these questions in about one hundred and fifty words.

(i) Describe entrepreneurial functions of an entrepreneur? R

Ans. Entrepreneurial Functions are :

- (a) **Innovation** : An entrepreneur is called innovator because he always focuses on :
 - (1) Introducing new combinations of the means of production.
 - (2) Finding new product or a new market for the product.
 - (3) Finding new sources of raw material.

Q. 2. Answer each of these questions in about fifty words.

(i) Explain any two advantages of being an Entrepreneur? R

Ans. Two advantages are :

- (a) Entrepreneurs can work on any idea which they feel will eventually turn out to be a Successful Venture.
- (b) Entrepreneurs enjoy the freedom of taking all important decisions themselves.

(ii) Explain any two disadvantages of being an Entrepreneur? R

Ans. Disadvantages are:

- (a) There is no fixed work schedule of an entrepreneur, he works for long hours, which may become the norm.
- (b) Entrepreneur may be highly motivated and experienced but because of the incompetent and unexperienced staff, he may face a lot of problems.

(b) Risk Taking : An Entrepreneur is also known as a risk manager. He takes moderate risk and finally manage to succeed, because he has confidence and in-depth understanding of the situation.

(c) Organization Building : Organization building is the main function of an entrepreneur through which he brings various factors of production together and minimizes losses and reduce the cost of production. Entrepreneur is free to take all important decisions and he is the final judge in the conduct of his business.

Q11 (ii) What is the need of entrepreneurship in an economy? [U]

Ans. Entrepreneurship is needed for the economic development of a country. Different innovations by the entrepreneurs make them agent of progress in the society.

Entrepreneurship is the life line of a nation without which no country can progress.

Through innovation, entrepreneur provides new ideas, technology, market and products, which enhance the process of economic development. Entrepreneurship help in reducing the costs and increasing the sales, which leads to increase in profits and future growth and development. Economic development cannot be done without providing employment opportunities to the resident of the country. Entrepreneurship bring more and more employment opportunities.

(iii) Mehak wants to start a textile unit near Gurgaon. Discuss the commercial functions which she will require to plan and perform for the same. [A]

Ans. Commercial Functions are :

(a) Production :

Production is the key function of an entrepreneur. The level of production depend upon the size of the enterprise. In a small production unit only one person can manage everything and in a large organization various individuals can participate to perform the production function. Production involves manufacturing, ancillary and advisory activities.

(b) Finance :

Finance is regarded as the lifeblood of an enterprise. All business activities begins with the finance and ends with the finance. This is an acute need to set up an enterprise and to expand it. Entrepreneur must look for various sources of finance and appropriately arrange them as and when required.

(c) Marketing :

Marketing is very important function of an entrepreneur because through good marketing strategies he wins the confidence of customers and satisfies his customers. Through effective marketing entrepreneur can achieve the top position in the market and smoothing the movement of goods and services from the producer to the ultimate consumer.

(d) Personnel :

This function of entrepreneur is concerned with the right man on the right job. It includes selection of employees, training, compensation and promotion etc. Through this function entrepreneur can maintain a good work force in the enterprise.

(e) Accounting :

Accounting is the language of business through which all business transactions are recorded in the books of accounts in a systematic way.

Transactions are recorded on the basis of some documentary proofs known as source documents. Accounting helps in assessing the financial position of an enterprise.

(iv) Explain any four managerial functions of an entrepreneur? [R]

Ans. Four managerial functions are :

(a) Planning :

Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap from where we are and to where we want to go. It makes possible for things to occur which would not otherwise happen.

(b) Organizing :

Organising is the process of identifying and grouping the work to be performed. It is the function of assigning duties, grouping tasks, establishing authority and allocating the physical, human, technical and financial resources to carry out a specific plan.

(c) Staffing :

Staffing is concerned with finding the right people for the right job. To achieve the organizational objectives and goals management must ensure that right people with right qualifications are available at right places. Staffing is also known as human resource function.

Staffing is concerned with :

(1) Recruitment

(2) Selection

(3) Placement

(4) Training of employees

(d) Directing :

Directing is concerned with motivating employees to perform the tasks assigned to them. In simple words, directing is concerned with leadership and motivation. Directing is the process of creating positive atmosphere that encourages employees to do their best.

(v) Explain any four promotional functions of an entrepreneur? [R]

Ans. Promotional Function of an entrepreneur :

(a) Discovery of an idea : Entrepreneur plays important role in assessing business idea which can be profitable to the firm.

Example : Karsan Bhai Patel, owner of Nirma Washing Powder, who was working as a factory chemist in Gujarat Mineral Development Corporation, started making detergent powder in the backyard of the house. This idea was a huge success.

(b) Detailed Investigation : Entrepreneur follows a detail investigation so that he can estimate the exact demand of the product, raw material, labour and machinery etc.

(c) Assembling the Requirements : Once entrepreneur is satisfied with the practicability of idea, he needs to assemble the requirements. If he

is inventing a new product, he must think about the patent of such product. He must carefully select the location of enterprise and type of machinery required.

- (d) **Financing the Proposition** : Entrepreneur must assess the financial requirement of the business. He should estimate carefully the sources of funds available i.e. shares, debentures and loan, etc.

Q. 4. Answer each of these questions in about two hundred and fifty words.

- (i) **Describe the process of entrepreneurship?** [R]

Ans. Process of Entrepreneurship :

- Self-Discovery**: It is mainly concerned with knowing the strengths and weaknesses and the opportunities available.
- Identifying opportunities** : It is mainly concerned with looking for needs and problems of the society and challenges that are not yet being met, or dealt effectively.
- Generating and evaluating ideas** : Entrepreneur plays important role in solving the problems, generating and evaluating the new ideas by using his creativity and past experience.
- Planning** : A written business plan helps in preparing marketing strategies.
- Raising Start-up capital** : Entrepreneur can attract the investors by providing them business plan.
- Start-Up** : It is concerned with starting the venture and developing a customer base by using the marketing strategies as planned earlier.
- Growth** : Entrepreneur looks for the further growth of the business by adapting new circumstances.
- Harvest** : Entrepreneur may sell his business and start a new venture.

- (ii) **What is the need of Entrepreneurship in an economy? Give at least six benefits.** [A]

Ans. Entrepreneurship is needed for the economic development of a country. Different innovations by the entrepreneurs make them agent of progress in the society.

Six benefits of Entrepreneurship are :

- Life-line of a nation** : Entrepreneurship is the life line of a nation without which no country can progress.
- Provides innovation** : Through innovation, entrepreneur provides new ideas, technology, market and products, which enhance the process of economic development.
- Increased profits** : Entrepreneurship help in reducing the costs and increasing the sales, which leads to increase in profits and future growth and development.
- Change of growth /Inclusive growth** : Entrepreneur establishes an enterprise in such a way that it can positively operate in a changing environment. Entrepreneurship plays important role in the advancement of technology which is needed for the development.
- Employment opportunities** : Economic development cannot be done without providing employment opportunities to the resident of the country. Entrepreneurship bring more and more employment opportunities.
- Social Benefits** : Entrepreneurship is not only beneficial from the viewpoint of business, it is also beneficial from the viewpoint of society. It encourages for the better utilization of limited resources and promotes peace and prosperity in the society.



High Order Thinking Skills (HOTS) Questions

Q. 5. (i) Differentiate between Entrepreneurial functions and Managerial functions of an Entrepreneur? [U]

Ans. Difference between Entrepreneurial Functions and Managerial Functions :

Basis	Entrepreneurial Functions	Managerial Functions
Activities	It involves all activities of an entrepreneur.	It involves all activities of an enterprise.
Contents	It includes creativity and innovation, organization building and risk management.	It includes planning, organizing, staffing, directing and controlling etc.
Knowledge	It requires technical knowledge and experience of the innovative field.	It requires managerial knowledge and experience.

- (ii) "Innovation is the hallmark of Entrepreneurship". Why is "innovation" referred as the basic function of an entrepreneur?** [AE]

Ans. Yes, it is true that that innovation is the hallmark of entrepreneurship. It plays important role in

developing entrepreneurial thinking through which entrepreneur can think big and make things happen. Innovation is the main key by which entrepreneur exploits the environmental changes and finds the business opportunities.

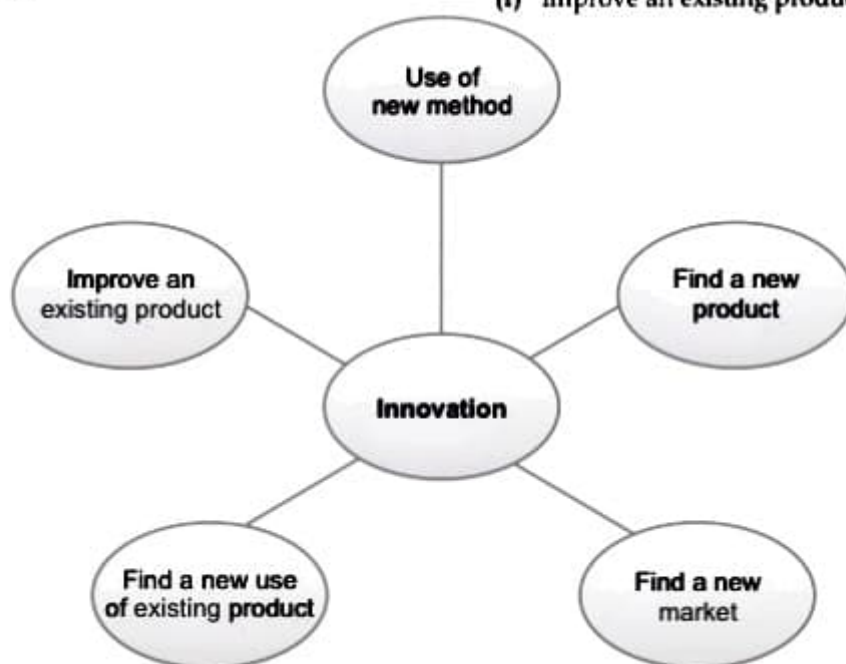
According to the **Schumpeter**, "The basic function of entrepreneur was to innovate".

Entrepreneur is called problem solver because he uses innovation to solve the problem.

Innovation is the combination of the three things i.e. natural, physical and mental labour.

Innovation involves following forms :

- (a) Introduction of a product which is totally new to the customers.
- (b) Use of new method of production.
- (c) Find a new product.
- (d) Find a new market.
- (e) Find a new use of existing product.
- (f) Improve an existing product or service.



- (iii) "Entrepreneurs, in their drive and pursuit to create something new, at times, results in causing major loss to the Nation's natural resources". Shouldn't they be discouraged? Justify giving reasons for your answers." **AE**

Ans. Entrepreneurs have always been partners in progress. An entrepreneur has to sense the opportunities much faster than others. Entrepreneur takes risk and plays important role in arranging, managing, organizing the required resources. The most crucial aspect of entrepreneurship is to arrange the resources. It is concerned with the identification and assessment of various resources that are required in the production process.

The type of resources required:

- (a) Natural resources
- (b) Material
- (c) Money
- (d) Machines
- (e) Market availability
- (f) Technology
- (g) Human resources

Entrepreneurs never discourage the nation's natural resources even they make them more valuable by utilizing them in the right way. They generate employment and provide high quality goods and services to the customers. Entrepreneurs are needed for increasing national production and development of a country. They

never cause major loss to the nation's resources instead they make them better and useful by giving them shape of a product.

- (iv) "Starting a venture is not an easy task. A series of activities needs to be planned and undertaken to create an enterprise". Discuss them briefly. **U**

Ans. To start a new venture following activities are necessary for an entrepreneur:

- (a) **Self-Discovery:**
Entrepreneur should be aware of his strength and weaknesses. He should have work experience of the related field.
- (b) **Identifying opportunities:**
Entrepreneur should be able to sense the opportunities around. He should be able to understand the needs and problems of customers and know what they want.
- (c) **Generating and evaluating ideas:**
Entrepreneur must stress upon the new and innovative ways to solve the problem by using his own creativity and experience.
- (d) **Planning:**
Planning is the important part of entrepreneurship. An entrepreneur must plan in the beginning what types of resources and what quantity is required in the venture he is going to start. He must do some research before taking the decision. He should make sure that there should be a written plan for the business.

(e) Raising Start-up capital:

Entrepreneur must develop a sound capital structure for his enterprise. He should develop a good business plan which will help in attracting potential investors, partners and venture capitalists.

(f) Start-Up:

It is necessary for an entrepreneur to build a customer base before launching the venture. He should develop the marketing and operational plan as per the requirement of the business.

(g) Growth :

Entrepreneur must develop new strategic plans time to time for the growth and expansion of the business.

(h) Harvest :

After starting and developing an enterprise successfully, entrepreneur may sell the business. After harvesting the rewards, he may move on to a new business.

(v) Why are Entrepreneurs called “agents of progress” for a nation? What role do they play in the Nation’s development?**AE**

Ans. Entrepreneurs play an important role in Economic Development of a country. The innovative approach of entrepreneurs help in developing the living standard of citizens of a country. Thus, entrepreneur is an agent of progress in the society. No country can progress without the development of entrepreneurship. Creativity and innovation of entrepreneurs help in developing new product, new technology and new markets. They increase the productivity of various valuable resources which are not in use at present. In order to meet the uncertainty, employment, economic growth, challenge of automation and the complexities of advanced technology, there is a need for the development of entrepreneurship.



Application Based Questions

Q. 6. (i) Shivi, a dropout from 10th std. is forced by her mother to start working as a domestic help. Shivi agrees on the condition to do only “cooking” in 2-3 houses. One family turns out to be Punjabi, other Gujrati and the third one is Rajasthani. She cooked their kind of food for a year and to everyone’s surprise, she expressed her desire to open up a small eating joint of her own. All alone, determined, she finally opens “Apna Bhoj”, a small eating joint with her savings and it became a hot spot because of the fusion food platter being offered. Do you think Shivi is an entrepreneur? Give reasons for your answers.

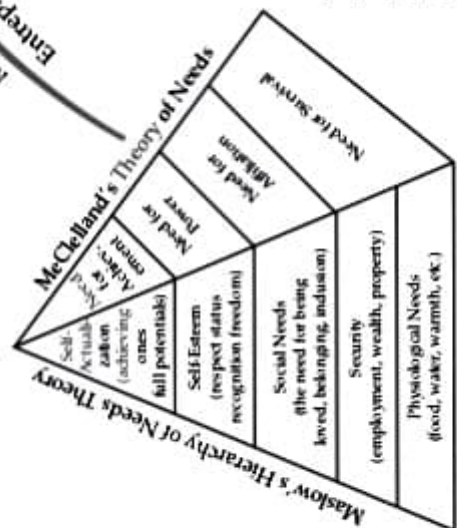
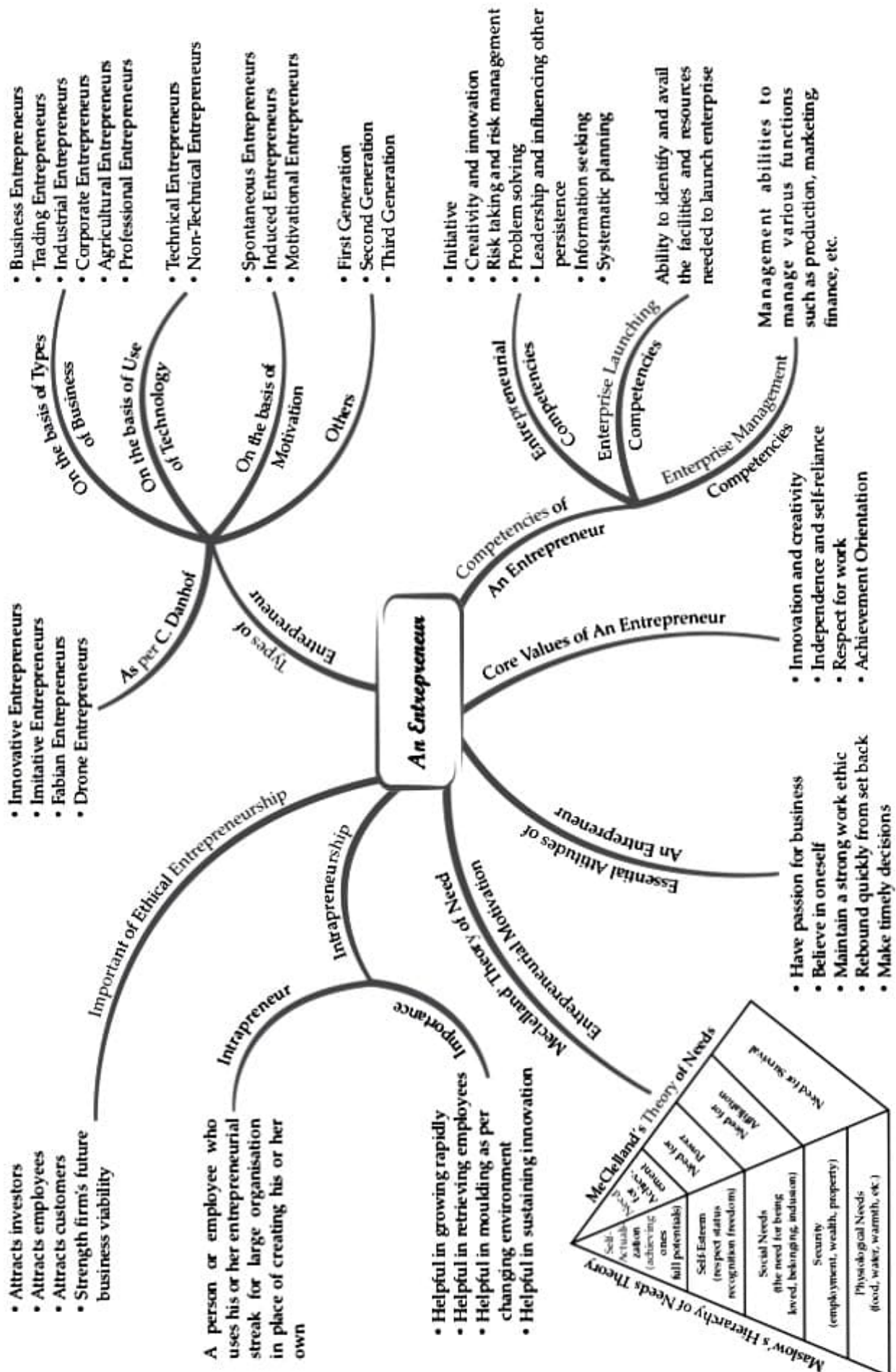
Ans. Yes, Shivi is an entrepreneur:

- Her one year experience provides her confidence of doing better.
 - She has understood the area/market or environment where she has to work.
 - She has converted her hobby into a business.
 - She is creative and a risk taker.
 - She took initiative of starting her own business which normal people can’t do.
 - She is independent and hardworking and has ability to minimize the risk and uncertainty.
 - Her vision and idea clearly shows that she has leadership quality.
- (ii)** Karan, a rural boy, identifies the potential of Organic Farming in the village. He meets the

zonal agricultural officer, who, looking at the determination of this 20 years old, helps him arrange and procure multiple resources required for his farm land. Then Karan takes a loan of ₹ 50,000/- from SBI as his seed money of ₹ 10,000/- is not enough to cater the requirement. Karan ties up with a nearby city’s vegetable shop owner to sell his yield. His hard work pays and the organic vegetables are a hit. This organic vegetable producer exhibits to be a good entrepreneur with good entrepreneurial skills. Do you agree? Justify giving reasons for your answers.

Ans. Yes, Karan exhibits to a good entrepreneur with good entrepreneurial skills because he visualizes that there is an opportunity for organic farming business in the village and it can be a profitable venture. The idea may be to exploit the new areas of natural resources, more profitable venture or to provide high quality product (organic product) to the customers. Karan meets the zonal agricultural officer, who further helped him in developing his idea by arranging the required resources for his farm land.

Karan is a self-confident and highly optimistic person, willing to assume the risks involved in new venture. He has decided about the capital structure carefully by taking loan of ₹ 50,000 and his seed money of ₹ 10,000.



CHAPTER

2

AN ENTREPRENEUR

Syllabus

Contents

- *Why be an Entrepreneur*
- *Types of Entrepreneurs*
- *Competencies and characteristics*
- *Entrepreneurial Values, Attitudes and Motivation*
- *Intrapreneur: Meaning and Importance*

Learning Outcomes :

After going through this unit, the student/ learner would be able to:

- *Understand the motivation to become an entrepreneur.*
- *Differentiate between various types of entrepreneurs.*
- *Explain the competencies of an Entrepreneur.*
- *Appreciate the importance of Ethical Entrepreneurship.*
- *Appreciate the difference between Entrepreneur and Intrapreneur.*



TOPIC-1

Types and Competencies of Entrepreneurs

Revision Notes

- **Types of Entrepreneurs (as per C. Danhof) :**
 - (i) Innovative Entrepreneurs
 - (ii) Imitative Entrepreneurs
 - (iii) Fabian Entrepreneurs
 - (iv) Drone Entrepreneurs
- **Depending on the nature, size and type of business, entrepreneurs are divided into following categories:**
 - (i) Business Entrepreneurs
 - (ii) Trading Entrepreneurs
 - (iii) Industrial Entrepreneurs
 - (iv) Corporate Entrepreneurs
 - (v) Agricultural Entrepreneurs
 - (vi) Technical Entrepreneur and Non-technical Entrepreneurs
 - (vii) Professional Entrepreneurs
- **Depending upon the basis of motivation, entrepreneurs are divided into following categories :**
 - (i) Spontaneous Entrepreneurs
 - (ii) Induced Entrepreneurs
 - (iii) Motivated Entrepreneurs

Scan to know
more about
this topic



Types of an
Entrepreneurs

TOPIC - 1

Types and Competencies of
Entrepreneurs

..... P. 15

TOPIC - 2

Ethical Entrepreneurship, Entrepreneurial
Values, Attitudes, Motivation & Concept
of Intrapreneur

..... P. 19

➤ **Other Categories of Entrepreneurs :**

- (i) **First-Generation Entrepreneurs :** They are actually the wealth creators and fresh leaders. They take initiative of starting a business.
- (ii) **Inherited Entrepreneurs/ Second Generation Entrepreneurs :** They inherit the family business through succession and pass it from one generation to another.
- (iii) **Third Generation Entrepreneurs :** The business was started by their grandparents or parents and they have inherited the business.

➤ **Competencies of an Entrepreneur :**

- (i) Entrepreneurial Competencies
- (ii) Initiative
- (iii) Creativity and Innovation
- (iv) Risk Taking and Risk Management
- (v) Problem Solving
- (vi) Leadership
- (vii) Persistence
- (viii) Quality Performance
- (ix) Information Seeking
- (x) Systematic Planning
- (xi) Persuasion and Influencing Other
- (xii) Enterprise Launching Competencies
- (xiii) Enterprise Management Competencies

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more about
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Entrepreneurial
competencies

➤ **Why be an Entrepreneur :**

- (i) Interested area to work upon
- (ii) Opportunity to show creativity
- (iii) Opportunity to make more money
- (iv) Improved standard of living
- (v) Opportunity to be your own boss

Know the Terms

- **Competencies:** Competencies refer to the behaviour and attitude of an entrepreneur while he performs business activities.
- **Persistence:** It is mainly concerned with the creation of a need in the market for the enterprise.
- **Innovative Entrepreneur:** Those entrepreneurs are known as innovative entrepreneurs, who introduce new products, new methods or techniques of producing goods or discovers a new market or a new service.
- **Imitative Entrepreneur:** Those entrepreneurs are known as imitative entrepreneurs who copy or adopt suitable innovations made by other entrepreneurs.
- **Fabian Entrepreneurs:** Fabian entrepreneurs are very shy and lazy. They are very cautious and not interested in taking any risk.
- **Drone Entrepreneurs:** Those entrepreneurs are known as drone entrepreneurs, who are not ready to make changes in their existing production methods even if they suffer losses.
- **Trading Entrepreneur:** Entrepreneurs, who are seriously involved in trading activities whether domestic or overseas, are known as trading entrepreneurs.
- **Industrial Entrepreneur:** Industrial entrepreneurs essentially manufacture products and offer services as per the demand of the market.
- **Corporate Entrepreneur:** Corporate entrepreneurs are mainly promoters of the undertakings/corporations, engaged in business, trade or industry.
- **Agricultural Entrepreneur:** Agricultural entrepreneurs mainly focused on agricultural as well as allied activities in the field of agriculture.
- **First-Generation Entrepreneurs:** People who have no entrepreneurial background. They start their own business enterprise by means of their own innovative skill and expertise.
- **Inherited Entrepreneurs/ Second Generation Entrepreneurs:** Where business is passed on from one generation to another.
- **Third Generation Entrepreneurs:** Third generation entrepreneurs are those entrepreneurs wherein their grandparents and parents have been entrepreneurs and they have inherited the business.

? Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

- _____ entrepreneurs are aggressive in nature who exhibit cleverness in putting attractive possibilities into practice. **R**
- _____ entrepreneurs are organisers rather than creators as they bring forth all factors of production together. **R**
- BT** 3. _____ entrepreneurs are those who introduces new products, new methods of production techniques, or discovers a new market or a new service? **R**

Ans. 1. Innovative, 2. Imitative, 3. Innovative Entrepreneurs.

(B) State whether the following statements are True or False:

- Innovative entrepreneurs are generally found in developed countries. **A**
- Indian rural agriculturalists can be classified as fabian entrepreneurs. **A**
- Fabian entrepreneurs are conservative or orthodox in outlook. **U**
- Strength of spontaneous entrepreneurs lie in their creative abilities. **U**
- Ghanshyam Das Birla is an example of first-generation entrepreneurs. **A**

Ans. 1. True, 2. True, 3. False, 4. True, 5. True.

(C) Multiple Choice Questions:

- BT** 1. A person who adopts or copy an idea or strategy which is used by the most successful entrepreneurs is called? **U**
- Imitative entrepreneur
 - Innovative entrepreneur

(c) Drone entrepreneur

(d) Fabian entrepreneur

Ans. (a) Imitative entrepreneur

- Some entrepreneurs are rigid and fundamental in their approach and do not take risk. They are second generation entrepreneurs and also known as: **U**

- Imitative entrepreneur
- Innovative entrepreneur
- Drone entrepreneur
- Fabian entrepreneur

Ans. (d) Fabian entrepreneur

- What name is to be given to such entrepreneurs who are not ready to make changes in their existing production methods even if they suffer losses? **U**

- Imitative entrepreneur
- Innovative entrepreneur
- Drone entrepreneur
- Fabian entrepreneur

Ans. (c) Drone entrepreneur

- Sanjay Gandhi, the founder of Maruti Suzuki India Ltd., which is in the business of car manufacturing and offering car related services, is an example : **A**

- Industrial entrepreneurs
- Corporate Entrepreneur
- Business Entrepreneur
- Trading Entrepreneur

Ans. (a) Industrial entrepreneurs

? Short Answer Type Questions-I

(2 marks each)

Q. 1. Enumerate any two qualities of Innovative Entrepreneurs. **U**

- Ans. (i) They innovate new methods and techniques for production and introducing new product in market.
- (ii) They discover new market. **2**

Q. 2. What is the main difference between Trading Entrepreneurs and Industrial Entrepreneurs? **U**

Ans. Industrial entrepreneurs are mainly involved in manufacturing of product whereas trading entrepreneurs do not manufacture product. They buy ready-made products and find market to sell it. **2**

Commonly Made Error

- Generally students get confused between industrial and corporate entrepreneurs.

Answering Tip

- Learn the difference between various types of entrepreneurs by classing them into various broad categories such as type, nature and size of business.

BT Q. 3. What is the main difference between Imitative Entrepreneurs and Drone Entrepreneurs? **U**

Ans. Imitative entrepreneurs usually copy or adopt suitable innovations made by innovative

entrepreneurs, whereas drone entrepreneurs refuse to copy or use opportunities that come their way. 2

Q. 4. Give two features of Spontaneous Entrepreneurs. [U]

Ans. Two Features of Spontaneous Entrepreneurs are :
(i) They are self-motivated by their desire for self fulfilment.
(ii) They undertake entrepreneurial activities for their own satisfaction. 2

Short Answer Type Questions-II

(3 marks each)

Q. 1. What is meant by Trading Entrepreneurs? [R]

Ans. The trading entrepreneur is one who undertakes trading activities and is not concerned with the manufacturing work. Trading entrepreneurs procure the finished products from the manufacturers and sell these to the customers directly or through a retailer. 3

Q. 2. How would you define Professional Entrepreneurs? [R]

Ans. People who are seriously engaged in the profession of establishing new business enterprises are known as professional entrepreneurs. They establish business enterprises with a purpose, to sell them once they are established. They do not manage any business enterprise which is established by them. 3

Long Answer Type Questions-I

(4 marks each)

Q. 1. What do you understand by Non-technical Entrepreneurs? [R]


Ans. They are the people mainly engaged in the business of marketing and distribution and promotion of the product. In simple words, Entrepreneurs who develop new marketing and distribution strategies are called Non-technical entrepreneurs. Their main focus is on marketing and distribution than production of goods. They are not aware with the technical aspects of the product. 4

Q. 2. How Corporate entrepreneurs are different from professional entrepreneurs? [U]

Ans. Corporate entrepreneurs do not start their own enterprise but they are good in organizing, managing and controlling a corporate undertaking very effectively and efficiently. Whereas professional entrepreneurs establish business enterprises with a purpose, to sell them once they are established. 4

Long Answer Type Question-II

(6 marks)

 **Q. 1. Explain the following competencies of an entrepreneur.** [U]

- (i) Creativity and Innovation
- (ii) Problem Solving
- (iii) Information Seeking
- (iv) Systematic Planning

Ans. Entrepreneurial Competencies:

- (i) **Creativity and Innovation:** Competency in creativity and innovation make an entrepreneur different from others. Sometimes, he is not able to find a new product or idea then he may use his creativity and innovation by modifying an existing product and adding new features. *For example,* changes in the packaging of potato chips.
- (ii) **Problem Solving:** Once entrepreneur understands the concept of moderate risk, he

should be aware about the bottlenecks in the process of entrepreneurship. He should develop himself in such a way that he can solve any problem without taking any stress.

- (iii) **Information Seeking:** Information plays an important role at every stage of enterprise because information is used to make various important decisions which decides the success and failure of the business. Entrepreneur must collect information himself or from the reliable sources.

- (iv) **Systematic Planning:** A detailed blueprint of the business should be designed in the beginning which will act as guide during the process of manufacturing and selling.

Systematic planning can stop the wastage of resources and turn losses into profits. 6



TOPIC-2

Ethical Entrepreneurship, Entrepreneurial Values, Attitudes, Motivation & Concept of Intrapreneur

Revision Notes

➤ Ethical Entrepreneurship :

According to *Johan Wempe*, "Ethical Entrepreneurship in a nutshell, amounts to the achievement of ethical goals through entrepreneurship.

An entrepreneur must follow some ethical standards in their process of entrepreneurship. Some examples to be followed are be :

- (i) Providing quality goods to the customers.
- (ii) Consider environmental issues during production.
- (iii) Providing healthy working environment to the workers.
- (iv) Judicious use of natural resources.

➤ Entrepreneurial Values

- (i) Innovation and creativity
- (ii) Independence and self reliance
- (iii) Respect for work
- (iv) Quest for outstanding performance or achievement orientation

➤ Entrepreneurial Attitude

Attitude is invisible and it cannot be observed directly. A person may be highly productive because of his positive attitude whereas a person may be less productive because of his negative attitude. It can be judged through the action of a person.

➤ Sources of Attitudes

- (i) **Direct personal experience** : Attitude of a person is developed according to his good or bad experience. For example, if a person finds good environment at work place, manager is well behaved and humble and co-workers are cooperative and helpful then he will acquire positive attitude towards his job. On the other hand, if he doesn't find good environment at work place, manager is egoistic and co-workers are not supportive then, he will acquire negative attitude.
- (ii) **Group Associations** : People or a group of persons connected with a person play important role in developing attitude of a person. Family, peer groups, cultural and sub-cultural groups can affect behaviour of a person directly or indirectly.
- (iii) **Influencing Others** : This is a strong belief that attitude of a customer can be changed by personal contact. Insurance agents, marketing people, medical experts, and entrepreneurs are examples of people who are strictly followed and respected by their followers.

➤ Maslow's Theory of Motivation

Maslow's theory is based on the assumption that people feel motivated only if their five universal needs are satisfied. These needs are ranked, according to the order in which they influence human behaviour, in hierarchical fashion.

Scan to know
more about
this topic



An Entrepreneur-
Values

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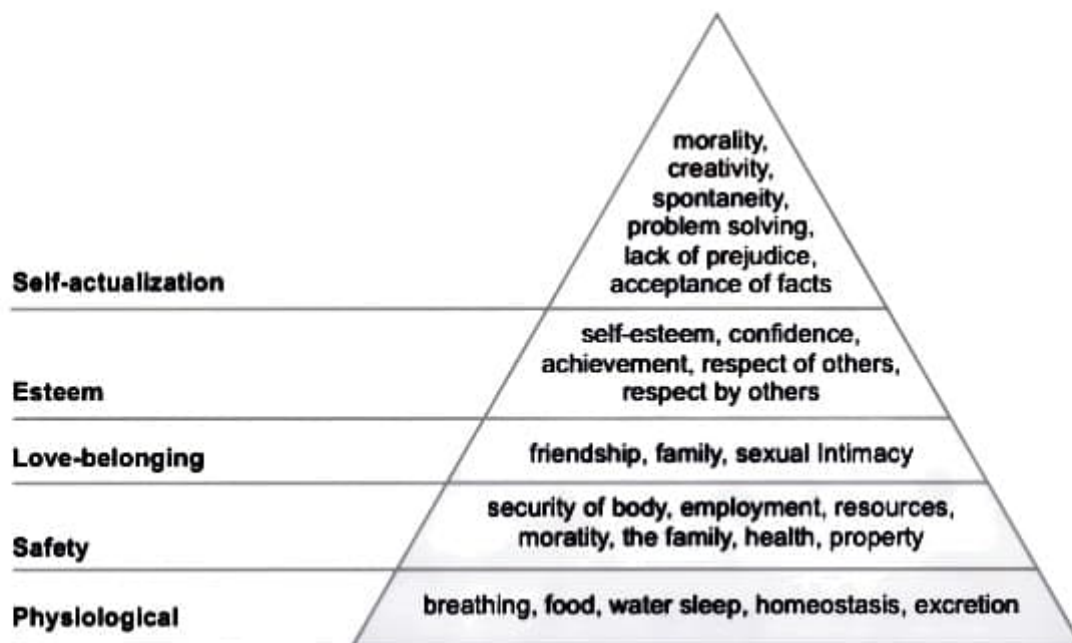


An Entrepreneur-
Attitudes

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An Entrepreneur-
Motivation



➤ Intrapreneurship

An intrapreneur is a person who is working in an organization or an entrepreneur within a large firm, who doesn't take any risk but his entrepreneurial skills are beneficial for the firm. An intrapreneur plays important role in developing new projects, utilizing the available resources and converting any idea into a profitable venture.

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Intrapreneurship

Know the Terms

- **Business Ethics:** Business ethics are moral principles that guide the way a business behaves.
- **Values:** Values refer to the beliefs that guide actions and judgement across a variety of situations.
- **Quest for outstanding performance:** Efforts for the growth of the enterprise.
- **Physiological needs:** These are the needs related to the food and water.
- **Safety needs:** These are the needs related to the shelter and security.
- **Social needs:** These are the needs related to the belongingness and love.
- **Affiliation:** It is concerned with the feeling of team work and improvement in interpersonal relationship.
- **Rewards:** Profit is the reward which entrepreneur gets for bearing risks involved in the enterprise.

? Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

- Q1** 1. _____ are not found in the same degree among all the entrepreneurs. U
2. _____ usually have the resources and capabilities of the firm at their disposal.. U
3. Higher _____ might include the desire for physical strength, knowledge, competence, independence and freedom. U

Ans. 1. Values, 2. Intrapreneurs, 3. Esteem needs.

(B) State whether the following statements are True or False:

1. Entrepreneurs are born with entrepreneurial attitudes. U
2. Judicious use of natural resources is important for the growth of the enterprise is against business ethics. A

3. The concept of Independence/ownership or selfreliance help the entrepreneurs in developing a mission concept which drives them to achieve their goal with a clear vision. U

Ans. 1. True, 2. False, 3. True.

(C) Multiple Choice Questions:

- Q1** 1. The attitudes are acquired from which of the following sources: R
- (a) Direct personal experience
- (b) Group Associations
- (c) Influential Others
- (d) All of the above

Ans. (d) All of the above

2. Rahul was preparing for Civil Service examinations. He failed in his first attempt. He tried the second time and failed again. It happened a couple of times more. Again, he tried

and this time he did it and achieved his goal. It's his _____ that made him accept his failures and made him not to give-up. [A]

- (a) Self esteem
- (b) Creativity
- (c) Innovation
- (d) Respect for work

Ans. (a) Self esteem

Q. 3. A guard suggested a change in the way Massachusetts Department of Correction stored

their inmate photos. Instead of taking pictures with film and storing them the old fashioned way, why not use digital cameras and use a database for image storing. The concept stated in the above paragraph is. [A]

- (a) Intrapreneurship
- (b) Entrepreneurship
- (c) Innovative
- (d) None of the above

Ans. (a) Intrapreneurship

? Short Answer Type Questions-I

(2 marks each)

Q. 1. Define any two features of Ethics. [U]

Ans. Two features of Ethics are :

- (i) Ethics refers to well-founded standards of right and wrong.
- (ii) Ethics makes people aware about the rights, obligations, society fairness and specific virtues. 2

Q. 2. According to Johan Wempe, Entrepreneurship is divided into different categories. Name these categories. [R]

- Ans. (i) Social Entrepreneurship.
- (ii) Social Corporate Entrepreneurship.
- (iii) Corporate Social Responsibility. 2

Q. 3. Define the concept of Believe in oneself in the context of entrepreneurs. [U]

Ans. An entrepreneur should believe in himself to become successful in his field. he should have good relationship with the employees, customers, stakeholders, suppliers and everyone one deals with. 2

Q. 4. What are the main four core values generally possessed by the dynamic entrepreneurs. [U]

- Ans. Four main core values are:
- (i) Innovation and creativity,
- (ii) Independence or self-reliance,
- (iii) Respect for work,
- (iv) Quest for outstanding performance or achievement orientation. 2

? Short Answer Type Questions-II

(3 marks each)

Q. 1. "Attitude constitutes a psychological phenomenon which cannot be directly observed." Comment. [U]

Ans. Attitude is invisible and it can be observed only through its consequences. For example, if a person is highly creative and productive, it does not mean that he has a positive attitude toward his work. 3

Q. 2. How a consumer's attitude can be formed and changed through personal contact with influential persons? Give example. [A]

Ans. Friends, relatives and experts can change the opinion of a customers. Some other people who

are respected by the customers can also change his opinion about any product or service.

For example, an entrepreneur can use a famous actor actresses/sports person etc. to advertise his product. It may help an entrepreneur in increasing the sale of a product and also creating a good foothold in the market. 3

Q. 3. Why passion is important for an entrepreneur? [U]

Ans. All successful entrepreneur are doing well in the market because of their passion. Through passion they can convert any problem into an opportunity. Passion can't be taught, it is the quality of an entrepreneur. 3

? Long Answer Type Questions-II

(6 marks each)

Q. 1. Define Maslow's Need Hierarchy theory of motivation. Also define the assumptions attached to the theory of motivation. [U]

Ans. Maslow's hierarchy of needs is a theory in psychology proposed by Abraham Maslow in his 1943 paper, "A Theory of Human Motivation". His

theory was based on human needs.

He felt that within every human being, there exists a hierarchy of five needs.

- (i) **Physiological needs** : This need is concerned with the need of food and water.

- (ii) **Safety needs** : This need is concerned with the shelter and security.
- (iii) **Social needs** : This need is concerned with the belongingness and love.
- (iv) **Esteem needs** : This need is concerned with the self-respect, self-respect, self-esteem, and the esteem of others.
- (v) **Self-actualization** : This need is concerned with the continuous self-development.

Maslow's theory is based on the following assumptions:

- (i) Behaviour of people is based on their needs. Satisfaction of such needs influences their behaviour.
- (ii) People's needs arise in hierarchal order, commencing from basic needs and ending at higher level needs.
- (iii) People can be motivated only by the unfulfilled needs and once a particular need is satisfied, it ceases to be a motivating factor.
- (iv) After satisfying the lower level need people move towards the next hierarchal order. 6

Q. 2. To satisfy the social and physiological needs which type of incentives are needed? Explain any four types of such incentives. U

Ans. Financial incentives are needed to satisfy the social and physiological needs.

- (i) **Pay and allowances** : Salary is the basic monetary incentive for every employee. It includes basic

pay, dearness allowance and other allowances like House Rent Allowance, Entertainment Allowance, etc.

Under salary system, employees get regular annual increments and enhancement of allowances from time to time. Some organizations give increments and increase salaries of the employees according to their performance.

- (ii) **Productivity linked wage incentives** : Employees can be motivated by giving them productivity linked wage incentives. There are certain wage rate plans which offer higher wage for more efficient worker for example; different piece wage system allows high wages to efficient workers as compared to inefficient workers.
- (iii) **Profit sharing** : Sometimes a company or a business firm may share some part of its profit with the employees. The main purpose of sharing profits with the employees is to improve their performance so that they can contribute more in increasing the productivity and profits of the firm.
- (iv) **Co-partnership/Stock option** : Sometimes companies offer their shares to its employees at a set price which is lower than the market price. The main purpose of allotting shares to the employees is to create a feeling of ownership among them so that they can contribute more for the growth of the organization. 6

CBSE Textbook Questions

Q. 1. Answer the following in about 15 words.

- (i) **Who is an Intrapreneur?** R

Ans. An intrapreneur is a person who is working in an organization or an entrepreneur within a large firm, who doesn't take any risk but his entrepreneurial skills are beneficial for the firm. An intrapreneur plays important role in developing new projects, utilizing the available resources and converting any idea into a profitable venture.

- (ii) **Define Entrepreneurial Motivation.** R

Ans. Entrepreneurial motivation may be defined as the process that activates the entrepreneurs to put in their best efforts to achieve the organizational objectives.

- (iii) **What do you mean by Competency?** R

Ans. Competency is directly concerned with the expected behavior, which enables the identification, evaluation and development of the behaviour in an individual. There are certain basic competencies which an entrepreneur should acquire. Competency plays important role in performing the various entrepreneurial tasks.

- Q. (iv) Which value provides goal direction to entrepreneurs?** U

Ans. **Respect for Work** : Entrepreneurs having this value, can understand and assess the goal direction quickly. This value encourages entrepreneurs to work hard and to put in quality efforts because rewards and incentives are directly linked with the quality efforts made by an entrepreneur.

- (v) **State one crucial feature of Fabian Entrepreneurs** U

Ans. Fabian entrepreneurs are very shy and lazy. They do not believe in taking any risk and follow the footsteps of their predecessors. They are rigid and fundamental in their approach. They take action only when future loss is expected.

- Q. (vi) 'Hero Motocorp manufactures two wheelers and provide services.' This is an example of which type of entrepreneur?** A

Ans. **Industrial Entrepreneurs** : Hero Motocorp is an example of Industrial Entrepreneurs. Industrial entrepreneurs essentially manufacture products and offer services, which is the ultimate demand of the market these days.

- (vii) "They are highly ambitious and normally not satisfied by slow progress in their jobs." This applies for which entrepreneurs? [A]

Ans. Motivated Entrepreneurs : Motivated Entrepreneurs are highly ambitious and are normally not satisfied by the slow progress in their jobs. Motivated Entrepreneurs have technical and professional expertise which they want to utilize by providing a new product or service to the customers.

- (viii) "When it wanes, as it surely will in difficult times, take some quiet time." This statement shows which attitude of an entrepreneur. [A]

Ans. Have Passion for the Business : When it wanes, as it surely will in difficult times, take some quiet time. It means that entrepreneurs are passionate about their business that is the reason they convert any idea into a profitable venture. Entrepreneurs believe that passion helps to overcome difficult moments and passion cannot be taught.

Q. 2. Answer the following in about 50 words

- (i) Why attitude is called Pervasive? [R]

Ans. Attitude is called pervasive because it is formed in the process of socialization and may relate to anything in the world. Attitude may be positive or negative, it may be due to religion, politics or any other reason. Attitude tells us how a person feels about something i.e. a person, a place, a commodity, a situation or an idea.

- (ii) Explain any two features of attitude. [R]

Ans. Features of attitude:

- (a) **Affects behaviour :**

Natural tendency of the people is to maintain consistency between attitude and behaviour. Attitude affects behaviour of a person directly or indirectly.

- (b) **It is invisible :**

Attitude is invisible and it cannot be observed directly. A person may be highly productive because of his positive attitude whereas a person may be less productive because of his negative attitude. It can be judged through the action of a person.

- (iii) Explain these core values: [R]

- (a) **Respect for work**

- (b) **Innovation and creativity**

Ans (a) Respect for work: This is the strong belief of entrepreneurs that they can achieve anything through their hard work. Entrepreneurs who have great respect for work can easily identify the goal direction and path of success. All rewards and incentives are the result of quality efforts made by the entrepreneurs. This value provides motivation to the entrepreneurs to work more and achieve more.

- (b) **Innovation and Creativity:** These are the most important values found among most of the entrepreneurs. These values work as guidelines through which an entrepreneur can solve the problems of the society and finds creative ideas, new product or service, etc. Creativity helps in adding new things or new features to the products. Innovativeness is the ability to make it work in practice.

Example : Earlier hair oil was available only in tins but now a days, it is available in different packs so that customers can carry it easily.

- (iv) Name the types of Entrepreneurs according to Danhof. [R]

Ans. Entrepreneurs according to Danhof:

- (a) **Innovative Entrepreneurs**

Entrepreneurs are very innovative because they take initiative and find innovative ways of starting a new business. It is because of their innovative nature that they are able to introduce new products, new methods and new techniques of productions. They also use innovation in finding a new market and new use of the product. Through their innovative approach entrepreneurs make things happen.

Example : Disney land is the great example of innovative entrepreneurship.

- (b) **Imitative Entrepreneurs**

Imitative Entrepreneurs are those who just copy or adopt the suitable innovations made by successful innovative entrepreneurs. They do not create factors of production but they play important role in organizing them.

Example : Local mobile firms copying the same method and technology which big firms are using.

- (c) **Fabian Entrepreneurs**

Fabian Entrepreneurs are very shy and lazy. They do not believe in taking risk. They are generally second generation entrepreneurs in a family business. They take action only to avoid the loss otherwise they are very rigid and fundamental in their approach. They follow one old saying strictly "why to fix, when nothing is broken".

- (d) **Drone Entrepreneurs**

Drone Entrepreneurs are also known as laggards because they are not ready to make any change in the existing business model. They are ready to face losses but avoid changes.

They do not use opportunities that come their way.

- (v) **What is the importance of an Intrapreneur in an organization?** [U]

Ans. Importance of Intrapreneur in an organization:

- (a) **Leadership :** An Intrapreneur is a leader who drives other employees within his team and then the organization for sustainability.

(b) **Expansion of enterprise** : Every enterprise needs internal support for the growth of organization. Intrapreneurship plays important role in developing entrepreneurial mindset which is required for the expansion of enterprise.

(c) **Strategy and Planning** : Intrapreneur helps in developing effective strategies and planning which provides competitive advantage to the enterprise.

(d) **Idea identification and implementation** : Intrapreneur plays important role in identifying a new idea and developing a team which can implement that idea. Intrapreneur presents the idea to the other member of enterprise for important suggestions and feedback.

(vi) **What is "Innovation time off" in an Intrapreneurship program?** [U]

Ans. 'Innovation time off' is an intrapreneurship programme which was firstly introduced by the Google. The main features of this programme are:

(a) Employees are motivated and encouraged to spend 20% of their time in the projects as per their interest.

(b) This programme involves formal evaluation and monitoring of entrepreneurial project of the company.

(c) Interested employees submit a project proposal within the given time period.

(d) Google developed some new and valuable services through intrapreneurship programme such as Gmail, Google news, Orkut and Add Sense etc.

(e) A formal process is to be followed for intrapreneurship programme.

Q. 3. Answer the following in about 75 words

(i) "The thoughts feelings and tendencies to behave are acquired gradually." In the light of this statement describe the sources of attitudes. [U]

Ans. Sources of Attitudes are:

(a) **Direct personal experience:**

Attitude of a person is developed according to his good or bad experience. For example, if a person finds good environment at work place, manager is well behaved and humble and coworkers are cooperative and helpful then he will acquire positive attitude towards his job. On the other hand, if he doesn't find good environment at work place, manager is egoistic and co-workers are not supportive then, he will acquire negative attitude.

(b) **Group Associations:**

People or a group of persons connected with a

(v) "We can appoint an employee but not an entrepreneur." Describe difference between an employee and an entrepreneur in the light of this statement. [A]

Ans. This is true that we can appoint an employee but not an entrepreneur because entrepreneur is self-motivated and ready to take risk. Employees work for limited hours but there is no fixed time of work for an entrepreneur.

person play important role in developing attitude of a person. Family, peer groups, cultural and sub-cultural groups can affect behaviour of a person directly or indirectly.

(c) **Influential Others:**

This is a strong belief that attitude of a customer can be changed by personal contact. Insurance agents, marketing people, medical experts, and entrepreneurs are examples of people who are strictly followed and respected by their followers.

(ii) "Attitude is not by birth; it is acquired" Explain. [U]

Ans. Attitude is not by birth because it is acquired by a person from childhood and continues throughout his life. Attitude cannot be acquired in one day, it is gradually learnt over a period of time. During childhood family members have a greater impact on attitude of a child. At the later stage friends, peer group, co-workers and employer play important role in giving shape of a person's attitude. Society, culture, beliefs, religion and education also have a greater impact on attitude of a person.

[A] (iii) "Entrepreneurs venture to take risks but some entrepreneurs are very shy and lazy by nature." Mention the name of such entrepreneurs and explain. [U]

Ans. Fabian Entrepreneurs : Some second generation entrepreneurs are very shy and lazy and not interested in taking any risk are called Fabian Entrepreneurs. They are very cautious, rigid and fundamental in their approach. They take action and necessary steps only when they are sure about their failure. Actually they try to follow the footsteps of their ancestors and try to hold old legacy.

(iv) "Innovation and creativity both are interrelated" Explain. [U]

Ans. Innovation and creativity are the most important values found among most of the successful entrepreneurs. Entrepreneurs perform under the guidance of these values and they feel comfortable in finding solution of any problem. Creativity is the ability of an entrepreneur through which he adds value to the product. Innovation helps him in converting idea into opportunity.

Example: Earlier hair oil was available in tins only but now a days it is available in plastic bottles (of different sizes).

Innovativeness can be seen through the following actions:

(a) **Sachet market** – Small sachet of shampoo and oil, etc.

(b) **Use of debit card, credit card and internet banking** in banking sector.

Distinction between Employee and Entrepreneur:

Basis	Employee	Entrepreneur
Role	Employee is an individual who provide services to an enterprise and gets regular salary time to time. He is a worker of the enterprise.	An entrepreneur is a risk taker, who takes initiative for starting a new enterprise. He is owner of the enterprise.
Motive	The main motive of employee is to get good salary, perks, allowances, promotion and increment, etc.	Main motive of an entrepreneur is to set up a permanent business and to earn a good profit by satisfying the needs of customers.
Rewards	Reward of employee is safe and permanent in the form of salary.	Reward of entrepreneur is profit but it is uncertain.

(vi) Differentiate between an Intrapreneur and Entrepreneur. R

Ans. Distinction between Intrapreneur and Entrepreneur:

Basis	Intrapreneur	Entrepreneur
Role	Intrapreneur is a person with entrepreneurial skills working within a large firm without taking risk.	An entrepreneur is a risk taker, who takes initiative for starting a new enterprise. He is owner of the enterprise.
Motive	The main motive of an intrapreneur is to convert the idea into a successful venture.	Main motive of an entrepreneur is to set up a permanent business and to earn a good profit by satisfying the needs of customers.
Status	He is a worker or employee of the enterprise.	He is the owner of the enterprise.

(vii) Explain the following Entrepreneurial Competencies: R

- (a) Persistence
- (b) Leadership
- (c) Systematic planning

Ans. (a) **Persistence** : The most important requirement of an entrepreneur is to create the need and demand of the product in the market. Entrepreneur should continue with honesty and dedication despite of obstacles and difficulties.

Example 1: Pressure cookers when introduced, did not have many customers but now there is a big demand of this product.

Example 2: Haathi Chaap (use of Elephant Dung to produce paper) was founded by entrepreneur Mahima Mehra and her business partner Vijendra Shekhawat in year 2003.

- (b) **Leadership** : Entrepreneurs are considered as best leaders in the world because they guide and motivate the people working with them. They are highly motivated and produce excellent example of leadership by removing the bottlenecks and developing a successful venture.
- (c) **Systematic Planning** : Entrepreneurs plays important role in utilizing the limited resources in a very effective manner. They believe in systematic planning and invest their valuable saving and energy in developing an enterprise.

(viii) Why is 'systematic planning' a must for an Entrepreneur? U

Ans. An Entrepreneur requires setting specific objectives and then tracking and following up.

Every enterprise has some objectives or goals that it wants to achieve. Planning actually begins with defining these goals in more concrete, clear and unambiguous terms. This helps the entrepreneur in gaining clarity on what he has to achieve and then plan all activities accordingly. Hence planning is required to establish the organizational objectives.

"Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results".

George R. Terry

(ix) Define Business Ethics? Why is it important to an entrepreneur? R

Ans. Business ethics are the business traits of an entrepreneur through which he makes the proper business policies and deals with the controversial issues related to the business. An entrepreneur who believes and follows the Business Ethics may gain public acceptance for forever. Business ethics are important for a good corporate governance and expansion of business.

Importance of Business Ethics to an Entrepreneur:

- (a) Business ethics plays important role in developing the social responsibility among the entrepreneurs.
- (b) Ethical behaviour is essential for an effective economic system.
- (c) Customers get quality goods and after sale services.
- (d) Protection of environment during the production process.

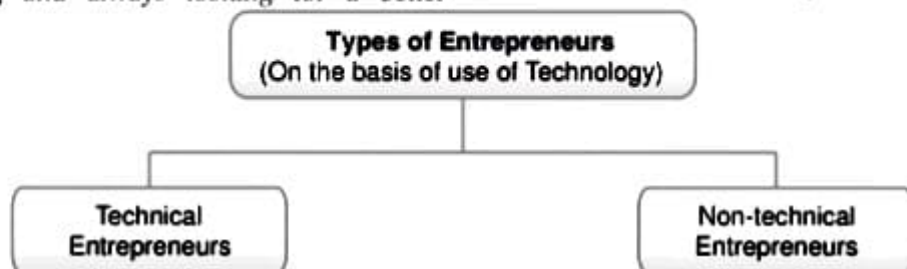
Q10(x) Explain types of entrepreneurs on the basis of use of technology. R

Ans. Entrepreneurs can be divided into two categories according to the use of technology :

Technical Entrepreneurs: Entrepreneurs who develop high quality goods and services by using technology are called Technical Entrepreneurs. They concentrate more on production than marketing and always looking for a better

technology to produce quality goods. They use their own knowledge, skills and specialization to produce high quality goods.

Non-technical Entrepreneurs: Entrepreneurs who develop new marketing and distribution strategies are called Non-technical entrepreneurs. Their main focus is on marketing and distribution than production of goods. They are not aware with the technical aspects of the product.



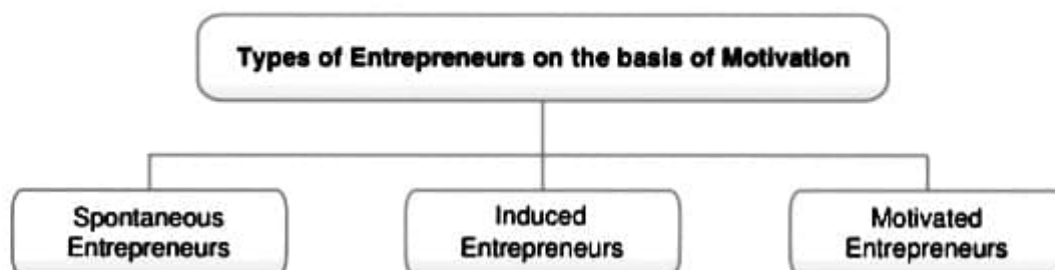
(xi) Explain types of entrepreneurs on the basis of motivation. R

Ans. Types of entrepreneurs on the basis of motivation:

- (a) **Spontaneous Entrepreneurs:** Entrepreneurs who want to prove their excellence and are motivated by their desire for self-fulfillment are called spontaneous entrepreneurs. They are very creative and do not need any external motivation. They satisfy themselves by maintaining their ego and status by organizing high level entrepreneurial activities.
- (b) **Induced Entrepreneurs:** People who start entrepreneurial activities because government

is providing support i.e. finance, concessions, incentives and other facilities are called induced entrepreneurs. They are not natural entrepreneurs, they become entrepreneurs due to some events, incidents and circumstances.

- (c) **Motivated Entrepreneurs:** Entrepreneurs who have technical expertise, professional expertise and never give up attitude are called motivated entrepreneurs. They are highly ambitious and believe in fast progress of enterprise. They become entrepreneurs because they are confident that there is scope of a new product or service.



(xii) What are the Entrepreneurial Values? U

Ans. Entrepreneurial values :

- (a) **Innovation and creativity :** Creativity is the ability of an entrepreneur to find new methods of doing things and innovation is the ability to make it work in practice.
- (b) **Independence or self-reliance :** Entrepreneurs develop a mission concept through which they achieve their organization goals with a clear vision. Entrepreneurs are independent and their indomitable will can be seen in the entrepreneurial venture they plan.
- (c) **Respect for work :** Entrepreneurs have great respect for work and that is why they believe that they can achieve anything. This value provides them direction which encourage them to make things happen.

- (d) **Quest for outstanding performance or achievement orientation :** Dynamic entrepreneurs are guided by the value of outstanding performance. This value helps them in speedy growth of their enterprise.

(xiii) "Human beings require respect in the society." Explain the esteem needs in the Maslow - Hierarchy of Needs Theory. U

Ans. Esteem needs in the Maslow's Hierarchy of needs theory :

Maslow's esteem needs include the three things:

- (a) Self-Respect
- (b) Self Esteem
- (c) Esteem of others

In addition to that these needs also include reputation, status, appreciation, glory, fame and prestige etc. An individual eventually needs to feel that he has a social status.

Q11 (xiv) How competency in creativity and innovation helps an entrepreneur meet the challenges of a situation? [AE]

Ans. Creativity is concerned with merging a new idea which is not merged before.

Competency in creativity and innovation is the basic trait of an entrepreneur. Sometimes an entrepreneur add value to the existing product instead of working on new ideas. Find a new use of the product is also a part of the creativity of an entrepreneur. Changing a product or style of production or finding a new product or new market is also helps an entrepreneur to meet the challenge of a situation. *Example*, changes in the packaging of potato chips, tea bags and cake cups, etc.

(xv) Do you think Intrapreneur is necessary for an organisation? Support your answer with strong reasons. [AE]

Ans. Intrapreneur is necessary for an organization because this is the best way to keep talented people in an enterprise. Intrapreneur is a leader who drives other employees within his team and

then the organization for sustainability. Every enterprise needs internal support for the growth of organization. Intrapreneurship plays important role in developing entrepreneurial mindset which is required for the expansion of enterprise.

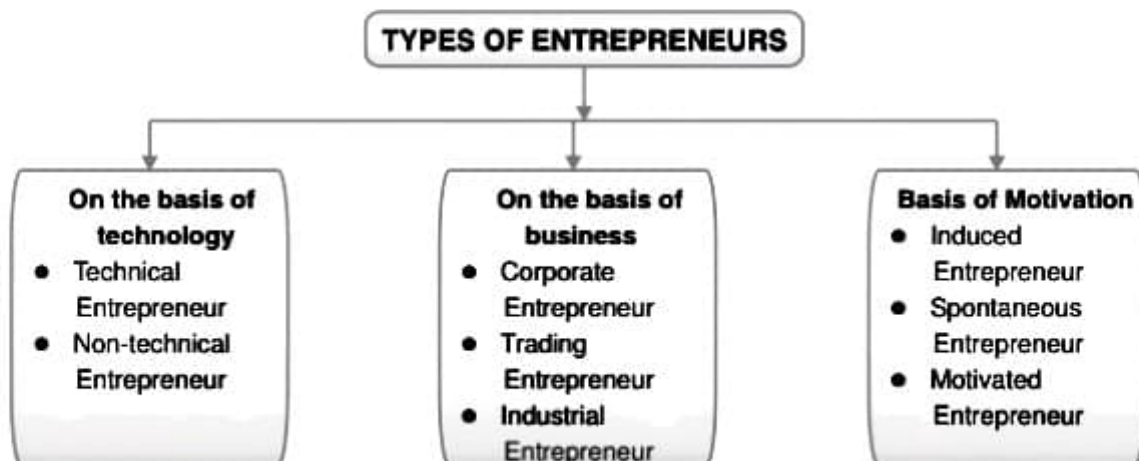
Intrapreneur helps in developing effective strategies and planning which provides competitive advantage to the enterprise.

Intrapreneur plays important role in identifying a new idea and developing a team which can implement that idea. Intrapreneur presents the idea to the other member of enterprise for important suggestions and feedback.

Q. 4. Answer the following in about 150 words

(i) What do you mean by entrepreneurs? Mention the types of entrepreneurs. [R]

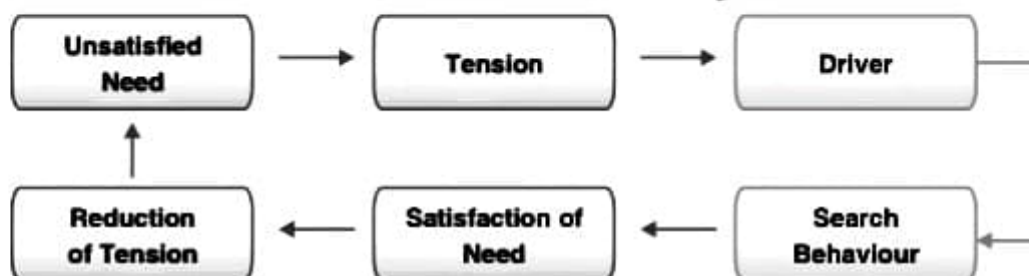
Ans. Entrepreneur is a person who takes initiative and starts a business. He is a moderate risk taker and works under uncertainty for achieving organization objectives. He is very creative and innovative and reflects a strong urge to be independent. He brings change in the society and work for the welfare of human beings.



(ii) "Motivation is a process", explain by a model. [U]

Ans. Motivation is essentially a process which shows that every individual possesses a need, desire or expectation which work as an activator for the motivation. The unsatisfied needs lead to tension

within the individual and motivates to search for the solution to relieve the tension. Motivation helps in setting one's action towards certain goals. The process of motivation is expressed through the diagram:



(iii) "Entrepreneurs cannot survive and grow without fulfilling the ethical responsibilities of the society." Explain. [A]

Ans. This is true that entrepreneurs cannot survive and grow without fulfilling the ethical responsibilities

of the society. An entrepreneur with good business ethics can understand what is right or wrong and what decisions can benefit the society. This is one quality of an entrepreneur through which he wins the confidence of the customers

and they accept his product and services. In today's business world entrepreneur face a lot of stress and encounter uniquely challenging ethical problems. To become a successful entrepreneur this is very important to follow some ethical standards and ensure that success is long lasting. **Some good examples of ethical responsibilities are :**

- (a) To provide high quality goods to the customers.
- (b) Before starting the production all environment factors should be considered.
- (c) Good behaviour with staff and providing them good wages/salaries.
- (d) Follow the law strictly and not to use child labour.
- (e) Resources are limited, entrepreneur must ensure the proper utilization of resources in production process.
- (iv) **Explain in detail the McClelland Theory of Motivation.** [U]

Ans. According to the McClelland's Theory of Needs, people are not much interested in culture and gender but they their are three elements which really motivate them.

- (a) Achievement
- (b) Affiliation
- (c) Power

Achievement : Need to achievement is the urge to excel, to grow, to accomplish in relation to a set of standards, to achieve success with never give up attitude. It is concerned with taking initiative to find solution of a particular problem, set goals and get feedback at every level of success.

Affiliation : Need for affiliation is directly concerned with open and sociable interpersonal relationships. It is a desire to build a good relationship through mutual understanding, trust and co-operation. It helps in developing a sense of belonging, teamwork and reducing uncertainty.

Power : Need for power shows that how a person tries to influence other individual's behaviour as per his wish. In other words, it is the desire to have control over others and to be influential. This is a need to win under any circumstances.

According to McClelland, the presence of these motives or drives in an individual indicates a predisposition to behave in certain ways. Therefore, a manager can understand easily that how to motivate the individuals working under him. Some people feel motivated when they achieve something. Some feel motivated when they know that manager is showing trust in them. Some feel motivated when they acquire any position in organization.

- (v) **Explain the types of business entrepreneurs.** [R]

Ans. **Types of Business Entrepreneurs:**

- (a) **Business Entrepreneur :** Persons who believe in sensing opportunity, develop a new idea and

convert that idea into opportunity by producing a new product or service. Most of the entrepreneurs believe in this concept and materialize their idea into reality.

- (b) **Trading Entrepreneur :** Entrepreneurs who do not manufacture but involved in buying and selling of goods and services are called Trading Entrepreneurs. These type of entrepreneurs perform trading activities at domestic level, national level or international level. They are enough mature to understand the potential market where they can create and maintain the demand of their product or services.
- (c) **Industrial Entrepreneur :** Entrepreneurs who are involved in manufacturing at large scale are called industrial entrepreneurs. They create demand of their product, use resources and technology and develop a profitable venture. *For example;* Hero Motorcorp, Hyundai Corporation.
- (d) **Corporate Entrepreneur :** Innovative people who are able to organize, manage and control a corporate undertaking are called Corporate Entrepreneurs. They are very effective and efficient. Usually, they are promoters of the undertakings/corporations, engaged in business, trade or country.
- (e) **Agricultural Entrepreneur :** People who are engaged in producing agricultural products, tools and equipment, etc. are called agricultural entrepreneurs. They play important role in raising and marketing of crops, fertilisers, machines and modern techniques, etc.
- (f) **Technical Entrepreneurs :** Entrepreneurs who develop high quality goods and services by using technology are called Technical Entrepreneurs. They concentrate more on production than marketing and always looking for a better technology to produce quality goods. They use their own knowledge, skills and specialization to produce high quality goods.
- (g) **Non-technical Entrepreneurs :** Entrepreneurs who develop new marketing and distribution strategies are called Non-technical entrepreneurs. Their main focus is on marketing and distribution than production of goods. They are not aware with the technical aspects of the product.

- (vi) **Explain any four Entrepreneurial competencies.** [U]

Ans. **Entrepreneurial Competencies:**

- (a) **Initiative :** Entrepreneur takes initiative to start a business. He does a lot of research in assessing the commercial trends, product types and customer demand. This is the basic quality of an entrepreneur that he believes in taking risk and converting it into a profitable venture.
- (b) **Creativity and Innovation :** Competency in creativity and innovation make an entrepreneur different from others.

Sometimes he is not able to find a new product or idea then he may use his creativity and innovation by modifying an existing product and adding new features. Example, changes in the packaging of potato chips.

- (c) **Risk Taking and Risk Management** : An entrepreneur explores the areas of uncertainty i.e. environment, demand, supply, design of the product, resources, acceptability of the product and potential challenge ahead. Entrepreneur needs to practice in several areas so that he becomes skilful in managing the enterprise. He needs to take moderate risk which can be converted into a profitable venture. For example, in year 1977, Dhirubhai Ambani took a risk of issuing shares to the public when people were not that aware about the share market.

- (d) **Problem Solving** : Once entrepreneur understands the concept of moderate risk, he should be aware about the bottlenecks in the process of entrepreneurship. He should develop himself in such a way that he can solve any problem without taking any stress.

- (vii) **Explain features of Attitudes** [R]

Ans. Features of attitudes:

- (a) **Affects behaviour** : This is common phenomena that attitude affects behaviour of a person. Positive attitude of a person develops a positive personality and negative attitude develops a negative personality. People take decisions according to their attitude and behaviour.
- (b) **It is invisible** : Attitude is invisible it cannot be seen or touched but it can be observed through the behaviour of a person, how he reacts, how he takes decisions, how he behave with others etc. For example; a highly productive person will be able to achieve any target because of his positive attitude towards his work.
- (c) **Attitudes are acquired** : Attitudes are gradually learnt over a period of time. It begins with the childhood of a person and continues throughout his life. During childhood, family member may have a great impact on his attitude but in the later stage his friends, society, education and peer group also play important role in shaping his behaviour.
- (d) **Attitudes are pervasive** : Social life plays important role in developing positive or negative attitude of a person towards religion, politics, politicians, culture, and beliefs. Attitude is not limited to only some aspects but it can be related to anything in the world.

- (viii) **How do systematic planning and persistence help entrepreneurs become effective leaders?** [U]

Ans. Entrepreneurs are very systematic and organized, it means they run their enterprise in an orderly

and systematic way. They strongly believe in systematic planning and take decisions accordingly. Planning is deciding in advance that what action is to be taken in future. Before starting the enterprise entrepreneurs must make a systematic plan which will help them to prepare an action plan for every area of operation in order to achieve the organization objectives. Persistence refers to never give up attitude of entrepreneurs. They believe in striving continuously until they are satisfied and success is achieved. Systematic planning helps an entrepreneur to face the uncertainty and obstacles in business. It also help them in developing alternative strategy to meet a challenge or obstacle. Entrepreneur feels confident because he has planned everything in a systematic way and he takes responsibility for the good or bad performance of the enterprise.

Q. 5. Answer the following in about 250 words.

- (i) **Explain any six essential attitudes of an entrepreneur.** [R]

Ans. (a) **Have passion for the business** : People who have passion only they know how to overcome from difficulties and make business successful. Passion cannot be taught, it is the quality or attitude of an entrepreneur which help him in starting an enterprise and making it a successful venture. One more reason of such passion is that you want to be your own boss and do not want to work under someone's command.

- (b) **Set an example of trustworthiness** : An entrepreneur should be trustworthy because investors and customers want to work with an entrepreneur who is trustworthy and can build a culture of integrity.

- (c) **Be flexible, except with core values** : An entrepreneur should be flexible to adopt new change. Entrepreneur cannot continue with the same plan and strategies, he needs to make appropriate changes as per requirement of the business and time. Instead of focusing on profit, he should focus on core values.

- (d) **Don't let fear of failure hold one back** : There are two ways, one is failure and another is success. Failure is an opportunity to learn.

Success will open a new door of expansion and diversification. An entrepreneur should not have fear of failure in his mind.

- (e) **Make timely decisions** : Success is guarantee only if all decisions are made on time. Delay in decision making may lead to miss the opportunity.

- (f) **Believe in oneself** : Self believe make a win-win situation for an entrepreneur. If an entrepreneur is confident, his employees, customers, investors, suppliers and stakeholders will also be confident.

(ii) Explain Maslow's Theory of Motivation. [U]

Ans. Maslow's theory is based on the assumption that people feel motivated only if their five universal needs are satisfied. These needs are ranked, according to the order in which they influence human behaviour, in hierarchical fashion.

Physiological needs : This need is concerned with the need of food and water.

Safety needs : This need is concerned with the shelter and security.

Social needs : This need is concerned with the belongingness and love.

Esteem needs : This need is concerned with the self-respect, self-esteem, and the esteem of others.

Self-actualization: This need is concerned with the continuous self-development.

*** (iii) Differentiate between an entrepreneur and an employee.** [R]

Ans. Distinction between Entrepreneur and Employee:

Basis	Entrepreneur	Employee
Motive	The main motive of entrepreneur is to start a profitable venture.	The main motive of employee is to serve the employer for a fair remuneration or salary.
Status	Entrepreneur is the owner.	Employee is a servant.
Risk	Entrepreneur takes risk of starting a venture.	No risk of starting a venture.
Reward	Profit is the reward of hard work.	Salary is the reward of hard work.
Innovation	Entrepreneur is an innovator who creates new inventions through his ideas.	Employees just execute the plan made by the entrepreneurs.
Qualification	Qualities are necessary than qualification.	Qualification is necessary to get a job.

PT (iv) "Competencies is a set of defined behaviours." State the types of competencies required by an entrepreneur? Explain. [AE]

Ans. Competency is a set of defined behaviours through which one can identify and understand behaviour of an individual.

An entrepreneur should have following competencies :

- (a) **Initiative :** This competency is first sign of entrepreneurial spirit. An entrepreneur takes initiative of starting an enterprise and solve the problems of the society by providing required goods and services.

Entrepreneur is always involved and keeps eye on the latest trends taking place in the society (these trends may be social and commercial). Once he takes initiative, what matters is the speed and method with which he is going to function.

- (b) **Creativity and Innovation :** Creativity and innovation are the basic traits of an entrepreneur through which he can sense opportunities exists in the environment. Without creativity and innovation, it is difficult for him to survive for a long time and continue as an entrepreneur. Through creativity and innovation he may produce new products or may make some exciting changes in the existing products.

- (c) **Risk Taking and Risk Management :** This is best quality of an entrepreneur that he takes a moderate risk and tries to convert it into a profitable venture. No doubt there is uncertainty but his attitude of risk taking and management makes things possible which are generally impossible for others. He has to keep in mind the several factors like demand, supply, availability of resources, etc.

*Out of Syllabus

- (d) **Problem Solving :** An entrepreneur is a problem solver because he has the ability of finding solution of any problem. Ratan Tata was facing a lot of problems in starting his Nano car project in Singur (West Bengal) but he decided to shift his manufacturing plant from Singur to Sanand due to unforeseen complexities.

- (e) **Leadership :** This is a remarkable quality of an entrepreneur which helps him taking important decision.

As a leader he guides and motivate his entire team.

- (v) **"Entrepreneur's decisions can strengthen or seriously weaken a firm's future business viability." Discuss this statement in the light of necessity of ethics for society and development of business.** [A]

Ans. According to Johan Wempe, "Ethical Entrepreneurship, in a nutshell, amounts to the achievement of ethical goals through entrepreneurship".

This is a true statement that an entrepreneur's decision can strengthen or seriously weaken a firm's future business viability. An entrepreneur who has practiced some ethical virtues like honesty, compassion, loyalty and integrity will be able to understand right and wrong. He will never make mistake in making good decisions. His decision will play important role in strengthen the business firm. Entrepreneurs work very hard on these ethics so that they can handle potentially controversial issues confidently. Not all ethics are guided by the law except business ethics. It does not mean that an entrepreneur should respect

only business ethics but he needs to practice social and moral ethics too. An entrepreneur who respects social, moral and legal values is most

trustworthy person and earns huge respect from stakeholders, customers, investors, creditors and employees.



High Order Thinking Skills (HOTS) Questions

Q.6. (i) The government launched a programme for pollution free zones and provides financial assistance to entrepreneurs. By inducing such assistance, Ms. A was induced to enter into entrepreneurship. This included in which category? Explain. [A]

Ans. Mr. A was included in the category of induced entrepreneurs. Government wants to motivate such entrepreneurs by providing them facilities and support.

People who start entrepreneurial activities because government is providing support,

i.e., finance, concessions, incentives and other facilities are called induced entrepreneurs. They are not natural entrepreneurs, they become entrepreneurs due to some events, incidents and circumstances.

Government wants to provide financial support to Mr. A with aim that he will help the government in developing a pollution free zone. It means Mr. A will adopt such techniques and method of production which will not create pollution in the environment.

Q.6. (ii) What are the basic differences between Maslow's and McClelland's Theory of Needs? [U]

Ans. Differences between Maslow's and McClelland's Theory of Needs :

Basis	Maslow's Hierarchy of Needs	McClelland's Theory of Needs
Origin & base	This theory was proposed by Abraham Maslow. This theory is based on the assumption that people can be motivated by fulfilling their five basic needs.	This Theory was proposed by McClelland. This theory is based on motivation. People can be motivated by fulfilling their three motivational needs.
Level of needs	There are five basic needs: (a) Physiological (b) Safety and Security (c) Belongingness and Love (d) Esteem (e) Self-Actualization	There are three motivational needs : (a) Achievement (b) Affiliation (c) Power
Focus	The main focus of this theory is on satisfying the basic needs of human beings.	The main focus of this theory is on satisfying the motivational needs of human beings.
Scope	This theory has limited scope.	This theory has wide scope.
Level of satisfaction	This theory assumes that all five needs should be fulfilled to achieve the level of satisfaction.	This theory assumes that any one of the three motivational needs can satisfy the human beings.

(iii) "An entrepreneur who is fulfilling the ethics and moral responsibility towards society is an asset for society and should survive and grow." Explain. [AE]

Ans. Entrepreneur comes from the society, he produces for the society, and he estimates the demand of the society that is why business ethics are important obligatory part of an enterprise. An entrepreneur who follows the moral and social duties is considered as an asset for the society. The following are some business ethical standards one should follow :

- To provide high quality goods to the customers.
- To pay tax to the government.
- To take care of environment.
- To take care of customers, employees, stakeholders and society.

(e) To use fair practices for promotion and compensation etc.

(f) To give proper information about the product, i.e., do and don'ts.

(g) To respect and follow the law.

(h) To pay minimum and correct wages to the workers.

(i) Not to use child labour in the enterprise.

(j) Not to waste natural resources.

(iv) "Many problems are bound to come in the path of progress, Ratan Tata shifted the manufacturing plant for Nano Cars from Singur to Sanand due to unforeseen complexities". Which type of competency is shown here? Discuss. [AE]

Ans. Competency shown by Ratan Tata is Risk Taking, Risk Management and Problem Solving.

Ratan Tata took a calculated risk of setting up the manufacturing plant of Nano Cars in Singur. The decision was taken after doing lot of hard work, research and ensuring the availability of resources.

But due to some reasons he had to shift his manufacturing unit from Singur to Sanand. It shows the entrepreneurial skill of risk taking and management. **[AE]**

There are certain problems which come in the way of entrepreneur but he looks for the solution and better alternative strategies to manage his risk. Ratan Tata developed alternative strategies and resources that helped him in solving the problem. This is the simple rule of business that whenever an entrepreneur faces unforeseen complexities, he should look for the alternative resources, new ideas, technique, methods, place, product, services and manpower, etc.

This is the best quality of the entrepreneurs that they know how much risk they can take and how to turn that risk into a profitable venture.

Incident of Ratan Tata gives a lesson to the new entrepreneurs that before starting a venture and taking important decisions, he should collect the quality information regarding the place, product, environment, resources, etc.

(v) **"Raju is a 16 year young boy, working hard to earn his living. He also tries to save some part of his earnings to acquire basic education". He falls in which level of Need as propounded by Maslow in his Motivational Theory?** **[AE]**

Ans. Raju falls in the Safety Needs as propounded by Maslow in his Motivational Theory.

Raju is earning and spending some part of his earning on his education which is a motivator for him. This need is directly concerned with the security, safety, stability, dependency, protection, freedom from fear and anxiety and a need for structure, order and law. Raju wants to ensure employment security at his workplace by acquiring the basic education. He believes that his education will help in continuing his employment. After completing his education he may earn more money through which he can fulfill his desires. This is the reason of his motivation.



Application Based Exercise

Q. 7. Read the following story

A young man was passing through a site of construction. He saw three labourers working at the site. He went to one of them and asked "What are you doing here?" The worker answered, "Don't you see? I am making out a living. I am working to earn." The young man moved towards the second man and asked him the same question. Pat came the reply "Don't you see?

I am constructing a wall". The young man moved towards the third man & repeated the question. The labourer replied "Don't you see? I am building a beautiful mansion".

Answer the following questions:

A. All the three were doing the same work, then what differentiates them?

Ans. This is true that all the three labourers were doing the same work but their attitude for work was different.

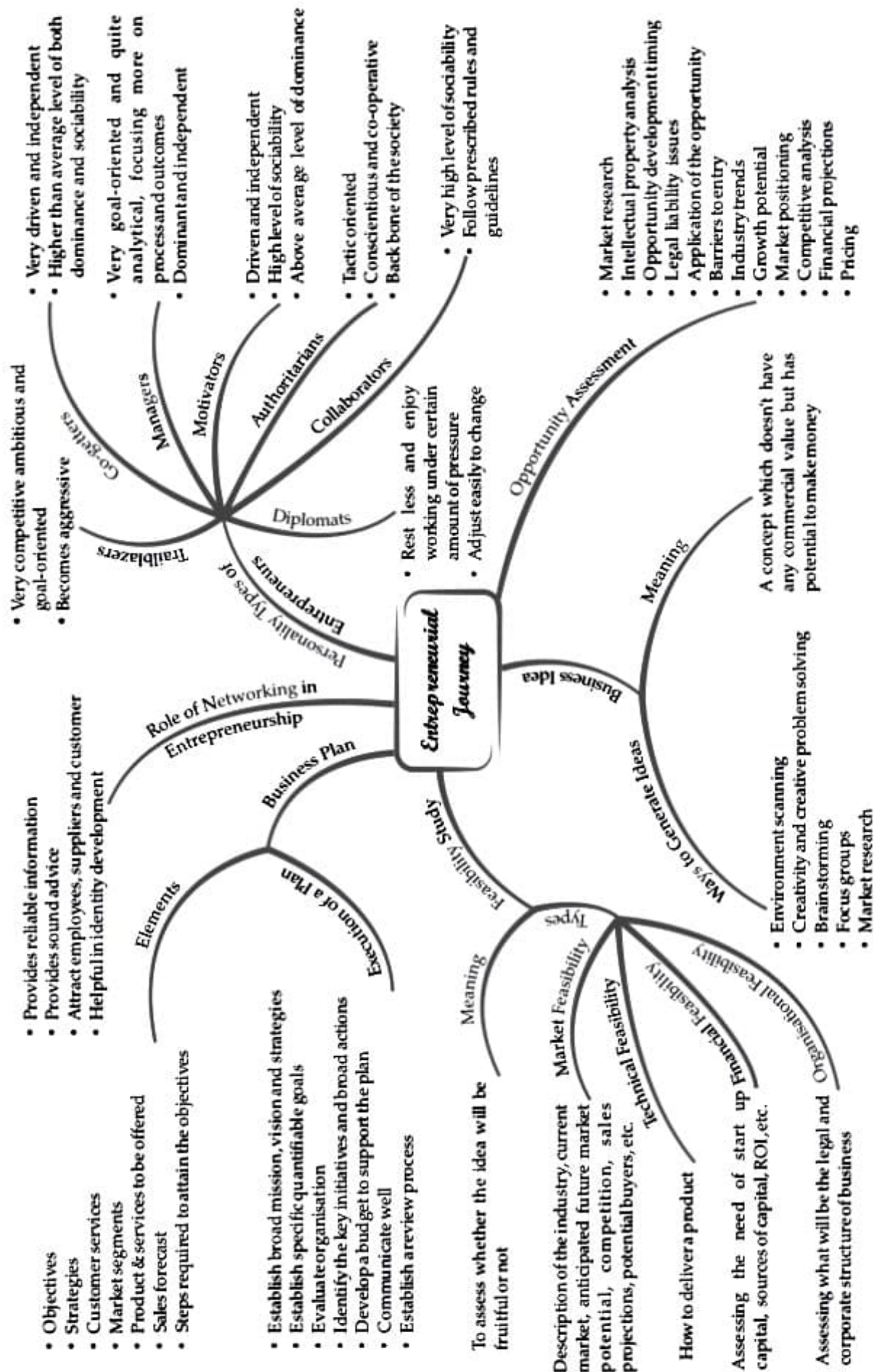
B. What is important to do a piece of work effectively and efficiently?

Ans. Positive Attitude/Right Attitude is very important to do a piece of work effectively and efficiently.

C. Whose answer reflected a positive attitude?

Ans. The third worker who applied that he is building a beautiful mansion reflected the right and positive attitude towards his work.





CHAPTER

3

ENTREPRENEURIAL JOURNEY

Syllabus

Contents

- *Self-Assessment of Qualities, Skills, Resources and Dreams.*
- *Idea generation.*
- *Feasibility Study and opportunity assessment.*
- *Business Plan: meaning, purpose and elements.*
- *Execution of Business Plan.*

Learning Outcomes

After going through this unit, the student / learner would be able to :

- *Assess their own entrepreneurial qualities and competencies.*
- *Understanding ways of idea generation.*
- *Discuss the concept of types of feasibility study.*
- *Draft a basic business plan.*
- *Understand the reasons for success and failure of business plan.*



TOPIC-1

Types of Entrepreneurial Personalities and Idea Generation

Revision Notes

Types of Entrepreneurs according to their personalities :

(i) Trailblazer Entrepreneurs :

Trailblazers are very competitive, ambitious and goal-oriented. Their main strengths are competitiveness, ambitious, goal oriented, aggression, restless and energetic and technology and finance.

(ii) Go-getters Entrepreneurs :

Go-getters entrepreneurs are mainly founders of new ventures. They have ability to invest in, buy or start a business that is totally new and make a success of it. They learn by doing and developing expertise in any area. They are prepared for working in ambitious and unfamiliar environment.

(iii) Managers :

They are dominant and independent. They are interested in doing their own things and they are always behind the scene. They always believe in hiring good employees who can follow them without any condition.

(iv) Motivators :

They have level of sociability. They do well in business with partners, or in a business that involves others (where people are a large part of the organisation).

TOPIC - 1

Types of Entrepreneurial Personalities and Idea Generation P. 34

TOPIC - 2

Feasibility Study and Business Plan P. 38

Scan to know
more about
this topic



Entrepreneurial
Personalities

(v) Authoritarians :

They are considered as the backbone of the society. They are not founder of any business but they do better in distribution, franchise and developing any existing business.

(vi) Collaborators :

Collaborators are good in any business where convincing is an important aspect of getting the job done and done right. They do well in a structured environment and can be great salesman because they use their sociability to impress the people.

(vii) Diplomats :

The diplomat's excel in retail or other people-oriented environments. They are restless and perform better under a certain amount of pressure. They adjust themselves according to the environment and situation.

➤ Misconceptions and realities

- (i) Great ideas just appear out of nowhere,
- (ii) There are no illogical ideas,
- (iii) The customer will tell you what to do if you will only listen,
- (iv) We can generate all the ideas we will ever need if we sit down at a meeting,
- (v) Great ideas aren't the problem; implementing them is.

➤ Ways to Generate Ideas**(i) Environment Scanning**

Environment scanning means close examination of the environment to develop an understanding of Socio-culture, economic, political and other environmental factors. The main purpose of environment scanning is to ensure that the perceived opportunity is compatible with the environmental factors.

(ii) Creativity and Creative Problem Solving

Through creativity an entrepreneur can add new features to an existing product or he can modify it as per the requirement and demand of the customers. Creativity is a regular feature of entrepreneurship through which he always finds the new ways of doing things.

(iii) Brainstorming

Brainstorming is a process of finding a creative solution of a problem. A group of people sit together and generate a number of business ideas keeping in mind different ways of meeting the needs and solving problems. It is an informal discussion in which one idea leads to another.

(iv) Focus Groups

An entrepreneur can take help from the focus groups to generate new ideas. These groups also help in screening the proposed ideas and concepts. These groups can do any research on behalf of the entrepreneur provide information about the proposed product or services and also provide answer to the questions asked by the moderators.

➤ Importance of evaluating ideas

- (i) To decide what is important
- (ii) To identify strengths and weaknesses of the idea
- (iii) To make the best use of limited resources
- (iv) To minimize risks while maximizing return



Know the Terms

- **Self-awareness:** It guides an entrepreneur in understanding what's needed to bridge the gap between who he is and what opportunity he requires.
- **FFF (Three F):** Feel, Felt and Found.
- **Accidental Entrepreneurs:** People who may end up running a business that was never part of their original plan, are called Accidental Entrepreneurs.
- **Warm selling:** When entrepreneurs allow customers to contact them directly for any information regarding product/service, it is termed as warm selling.
- **Creativity:** Creativity is the ability to combine ideas in a unique way to introduce a product by adding new features in it.


- **Brainstorming:** When a group of people sit together to find a creative solution of a particular problem, it is known as brainstorming.
- **Authoritarians Entrepreneurs:** They are not founder of any business but they do better in distribution, franchise and developing any existing business.
- **Attribute listing:** When an entrepreneur keep eye on the negative and positive attribute of the product before introducing it in the market.

Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:


- _____ entrepreneurs are restless and enjoy working under a certain amount of pressure. They get things done quickly and work well with deadlines. They adjust easily to change and deals well with new situations. R
- People who may end up running a business that was never part of their original plan, are called _____. R

-  3. _____ entrepreneurs are logical, analytical, practical and realistic. They start their own business instead of buying a franchise or distributorship. R

Ans. 1. Diplomat, 2. Accidental entrepreneurs, 3. Trailblazers.

(B) State whether the following statements are True or False:

- Every person has the potential to grow a successful business. U
- Authoritarians are the backbone of the society. U
- Trailblazer are restless and enjoy working under a certain amount of pressure. U
- Brainstorming is usually an unstructured discussion, in which different persons give different ideas. U

-  5. PepsiCo has been able to successfully use its knowledge of the changing environment in the food and beverage industry towards healthier and functional foods to increase its bottom-line and boost its footprint in the environment. The long-term strategy of the company's CEO is to make Pepsi one of the biggest brands in the nutrition business. To achieve this, the company has acquired Naked, a big name in the functional food and beverage subsector and is increasing R&D to create healthier food ingredients that will be more acceptable by an increasing health conscious buying public and regulatory agencies. Not many companies have been able to adapt successfully as PepsiCo. The reason behind this scene is proper environment scanning. C

Ans. 1. True, 2. True, 3. False, 4. True, 5. True.

(C) Multiple Choice Questions:

- The structured approach that might be adopted to generate ideas is : U
 - Brainstorming
 - Market Research
 - Creativity and Creative Problem Solving
 - All of these

Ans. (d) All of these

- Out of the following, identify the reason why evaluating an idea is important for researching the venture's feasibility : U
 - To minimize risks while maximizing return
 - To Identify Strengths and Weaknesses of the Idea
 - To make the best use of limited resources
 - All of the above

Ans. (d) All of the above

- Out of the following, which one is not an element of business plan : U
 - Business Venture
 - Production Plan
 - Appendix
 - Environment scanning

Ans. (d) Environment scanning

- No one knew they needed a tablet, or a smartphone, or a better way to listen to music until Steve Jobs changed the rules with his innovative vision. By daring to envision what was possible and then acting on it, he brought his dream to life and offered it to the masses. Somehow, he knew what consumers wanted before they did.

According to the above para, the personality type of Steve Jobs is : A

- Trailblazer
- Go-getter
- Manager
- Motivator

Ans. (a) Trailblazer

- Up to the point of him retiring from Microsoft in 2008, Bill Gates was known as a very demanding

and slightly abrasive boss who encourages creativity and innovation and recognizes individual and team achievements. Identify the personality type of Bill Gates. **A**

(a) Collaborator

(b) Diplomat

(c) Authoritarian

(d) Trailblazer

Ans. (c) Authoritarian



Short Answer Type Questions-I

(2 marks each)

Q. 2. What type of entrepreneur is known as backbone of society? **R**

Ans. Authoritarians Entrepreneurs are known as backbone of the society. They are the loyal workers who make the world function. Mainly they are excellent distributor, franchisee or owner of an existing business. **2**

Q. 2. What is the primary difference between collaborator and authoritarian Entrepreneurs? **R**

Ans.(i) Collaborator entrepreneurs have a personality gift called sociability. Through which they can do whatever they want to do.

(ii) Whereas Authoritarian entrepreneurs are very strict and rude and they follow rules, procedures and policies carefully. **2**

Q. 3. 'There are no illogical ideas'. Comment on this statement. **U**

Ans. All ideals are not good and workable but this is the good quality of an entrepreneur that he consider every idea valuable. Sometimes most powerful ideas come from what at first glance seemed illogical. **2**

R Q. 4. Comment on the statement, 'Great ideas aren't the problem; implementing them is'. **U**

Ans. It is not easy for an entrepreneur to implement any idea. Entrepreneur needs to work out on the various aspect of the idea i.e, requirement of raw material, infrastructure, transportation, electricity and water, manpower and finance etc. **2**



Short Answer Type Questions-II

(3 marks each)

Q. 1. What is meant by warm selling and cold selling? **U**

Ans.(i) When entrepreneurs allow customers to contact them directly for any information regarding product/service, it is termed as warm selling. These entrepreneurs love to tell the customers directly about their products/services.

(ii) They are in touch with the customers and customers can contact them directly regarding the product/service.

(iii) Whereas cold selling involves picking up the phone and dialing for money, or hitting the streets looking for prospects door to door. **3**

Q. 2. Enlist any three characteristics/features of Diplomats. **R**

Ans. Characteristics/Features of Diplomats:

- (i) They love to work and perform under a certain amount of pressure.
- (ii) They get things done quickly and work well with deadlines.
- (iii) They prepare themselves to face any situations.
- (iv) They can perform many tasks at the same time. **3**

Commonly Made Error

- Usually, students write the features of entrepreneurs in general, not particularly of diplomats.

Answering Tip

- Learn the difference between various type of entrepreneur and write as per requirement of question.



Long Answer Type Question-II

(6 marks)

R Q. 1. There are some misconceptions about the great ideas. Explain some misconceptions and reality related to such ideas. **U**

Ans. Misconceptions about great ideas:

(i) Great ideas just appear out of nowhere

This is a misconception only, in actual ideas are generated in a structured systematic way. Entrepreneurs do not wait for the things to happen but they put a lot of efforts to generate ideas.

(ii) There are no illogical ideas

All ideas are not useful and cannot be converted into business opportunities. Sometimes, one idea may seem illogical at first glance but finally entrepreneur comes to know that this is the most powerful idea and it can be converted into a business opportunity. Entrepreneurs give equal importance to all ideas but they all may not be very good.

(iii) The customer will tell you what to do if you will only listen

Entrepreneurs can get best ideas from the people who will purchase their products. Customers can help the entrepreneurs by telling them about their unmet needs and the problem they face in their daily life. Entrepreneurs then work on such ideas which can fulfill the unmet needs of their customers. Great ideas can be generated by listening to the customers.

(iv) We can generate all the ideas we will ever need if we sit down at a meeting

This is also a misconception because generating great ideas should not be restricted to a meeting only. There is no specific time and place to generate ideas. Great ideas can be generated even when you are eating, sleeping, reading, talking, listening and thinking.

(v) Great ideas aren't the problem; implementing them is

No use of generating good ideas if they cannot be translated into the reality. Screening of idea is important before implementing it because it may be an illogical idea or idea which can't be implemented. Each and every aspect of the idea should be investigated before implementing it.

(Any three) 6

Commonly Made Error

- Students explain the myths of entrepreneurship.

Answering Tip

- Read the question carefully and answer according to the question.



TOPIC-2

Feasibility Study and Business Plan

Revision Notes

- **Feasibility Study:** Feasibility study is process of understanding that an idea is feasible or not, i.e., idea will work or not and how it will work, etc.

- **Types of feasibility study**

(i) Market Feasibility: Through market feasibility, an entrepreneur gets the description of current market, competitors, anticipated future market, potential buyers and estimated revenue from operations, etc.

(ii) Technical Feasibility: Technical feasibility is concerned with delivering the product or service to the ultimate consumer.

For this, an entrepreneur should keep in mind the important variable like material cost, labour cost and transportation cost, etc.

(iii) Financial Feasibility: An entrepreneur must forecast in the beginning, how much capital is required to start a business, what are the sources of capital, what will be the structure of capital and return on investment, etc.

(iv) Organisational Feasibility: Success of the business depends upon the knowledge, skills, experience and decision making power of an entrepreneur. He should have good knowledge about the legal and corporate structure of the business.

- **A good outline for a feasibility study includes :**

- Introduction
- Product/Service
- Technology
- Market Environment
- Competition
- Industry
- Business Model
- Market and Sales Strategy
- Production operation Requirement
- Management and Personnel Requirement

- **Business Plan :** It refers to a written summary, including information about various elements involved in starting a new business. It describes how new business will organize resources to meet pre-defined objectives and measures progress.

Scan to know more about this topic



Feasibility Studies

Scan to know more about this topic



Business Plan

➤ **Elements of Business Plan :**

- (i) Objectives
- (ii) Strategies
- (iii) Customer Scenario
- (iv) Market Segments
- (v) Products and Services to be offered
- (vi) Sales Forecast
- (vii) Steps required to attain the objectives

➤ **Execution of Business Plan :**

- (i) After formulating vision and mission and setting broad objectives, core competencies and specific quantifiable goals to support the strategy must be formulated.
- (ii) Organisation must be evaluated in regard of human resource.
- (iii) Strengths, weakness, opportunities and threats should be identified.
- (iv) A budget must be formulated to support the plan.
- (v) Communication to the entire organisation is must.
- (vi) Review process must be established

➤ **Role of Networking in Business :**

- (i) Provides reliable information;
- (ii) Helps to attract employees, suppliers and customers ;
- (iii) Opens channels to resources, market and expertise;
- (iv) Links up or connect with right people to get things done.

➤ **Opportunity Assessment :** It is concerned with assessing the strengths, weaknesses, opportunities and threats. It also helps in assessing the industry trends and growth potential.

Scan to know
more about
this topic



Opportunity
Assessment

Know the Terms

- **Focus Groups:** These groups of individuals provide an excellent way to generate new ideas and to screen proposed ideas and concepts.
- **Market Research:** It is a method of gathering information from the market about the product/service already exist in the market.
- **Patriarchal society:** A society where gender bias exist.
- **Retail:** The sale of goods to the public in relatively small quantities for use or consumption rather than for resale.



Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

1. A feasibility study can readily be converted to a _____. U
2. The key to a successful execution is _____. U

- 80** 3. Information gathered through _____ helps an entrepreneur in developing marketing strategies and identifying business related problems and solutions. U

Ans. 1. Business Plan, 2. Alignment, 3. Feasibility study.

(B) State whether the following statements are True or False:

1. Market feasibility study is preparing marketing plan.. U

- 80** 2. Sources of Capital is included in Market Feasibility. U

3. Financial prediction of an enterprise includes Balance Sheet, Income Statement, and Cash Flow Statement, Break Even Analysis, and Capital Requirements. U

Ans. 1. False, 2. False, 3. True.

(C) Multiple Choice Questions:

- 80** 1. A person who adopts or copy an idea or strategy which is used by the most successful entrepreneurs is called? U

- (a) Imitative entrepreneur
- (b) Innovative entrepreneur
- (c) Drone entrepreneur
- (d) Fabian entrepreneur

Ans. (a) Imitative entrepreneur

2. Some entrepreneurs are rigid and fundamental in their approach and do not take risk. They are second generation entrepreneurs and also known as: U

- (a) Imitative entrepreneur
- (b) Innovative entrepreneur
- (c) Drone entrepreneur
- (d) Fabian entrepreneur

Ans. (d) Fabian entrepreneur

3. What name is to be given to such entrepreneurs who are not ready to make changes in their existing production methods even if they suffer losses? U

- (a) Imitative entrepreneur
- (b) Innovative entrepreneur

(c) Drone entrepreneur

(d) Fabian entrepreneur

Ans. (c) Drone entrepreneur

4. Sanjay Gandhi, the founder of Maruti Suzuki India Ltd., which is in the business of car manufacturing and offering car related services, is an example : A

- (a) Industrial entrepreneurs
- (b) Corporate Entrepreneur
- (c) Business Entrepreneur
- (d) Trading Entrepreneur

Ans. (a) Industrial entrepreneurs


Short Answer Type Questions-I

(2 marks each)

- Q. 1. Enlist any two features of Feasibility Study. U

Ans. Features of feasibility study:

- (i) Through feasibility study an entrepreneur comes to know about the feasibility of an idea and how it will work.
- (ii) Feasibility study considers both advantages and disadvantages and methods of troubleshooting potential problems. 2

-  Q. 2. What activities are included in the production plan? R

Ans. Activities under production plan:

- (i) Details of manufacturing process;
- (ii) Physical infrastructure required;
- (iii) Types of plant and machinery;
- (iv) Raw materials to be used;
- (v) Requirement of power, water, etc. 2

- Q. 3. 'Maruti Vega Ltd.' entered into the market with coloured television and have now introduced products like audio systems, air conditioners, washing machines, etc. The company is not only offering the products but also handling complaints and offering after-sales services.

Whenever company is facing any problem they call a group of persons (management team) and they all sit together and generate a number of business ideas by innovating alternative ways of meeting the needs and solving problems. A

What method firm is using to generate the ideas?

Ans. (i) Firm is using Brainstorming technique to generate ideas.

- (ii) Under this method, a group of people sit together to generate a number of business ideas by innovating alternative ways of meeting the needs and solving problems. 2

Long Answer Type Questions-I

(4 marks each)

- Q. 1. 'A.S. Ltd.' is a large company engaged in assembly of air conditioners. Recently the company had conducted a research and concluded that on an average a worker can assemble ten air-conditioners in a day. The target volume of the company in a day is assembling of 1,000 units of air-conditioners. The company is providing attractive allowances to reduce labour turnover and absenteeism. All the workers are happy. Even then the assembly of air-conditioners per day is 800 units only. To find out the reason the company compared actual performance of each worker and observed through C.C.T.V. that some of the workers were busy in gossiping. Now firm wants to prepare a new human

resource plan. Suggest some important points for firm's human resource plan. C

Ans. Important points for human resource plan:

- (i) Categories of human resources or staff required
- (ii) Human resource already identified
- (iii) Human resource required to be procured
- (iv) Time frame for procurement of human resource. 4

- Q. 2. What is Feasibility Study. Explain any three types of feasibility study. U

Ans. Feasibility Study : Feasibility study is process of understanding that an idea is feasible or not i.e., idea will work or not and how it will work etc.

Types of feasibility study : Refer to Q. 4. (iv) of CBSE Textbook Questions. 4

? Long Answer Type Question-II

(6 marks)

Q. 1. What basic processes and fundamentals to be followed by an entrepreneur to manage the execution of a business plan? **[A]**

Ans. An Entrepreneur must follow some processes and fundamentals before execution of a business plan:

- Once mission and vision of the enterprise is established, specific strategies should be formulated to achieve the organizational goals.
- Right number of employees and right man on the right job concept should be followed.
- Identify the key initiatives and broad actions that must be accomplished to achieve the strategy.
- Budget should be prepared to support the plan. Management of finance is a crucial aspect in any enterprise.

(v) Effective communication system should be developed in the organization.

(vi) Entrepreneur needs to develop an effective compensation and reward systems to support the future vision of the organization. A review system should be established so that entrepreneur can observe the market trend, competition and government regulations etc.

Commonly Made Error

- Students generally write the elements of business plan or write vague explanations instead of processes and fundamentals.

Answering Tip

- Answer should be centered to process of managing the execution of a business plan, not to the elements of business.

? CBSE Textbook Questions

Q. 1. Answer the following in about 15 words

- (i) List the fields in which 'Trailblazer' has business strengths. **[R]**

Ans. Trailblazer has following Business Strengths:

- Competitiveness
- Ambitious
- Goal oriented
- Aggression
- Restless and energetic
- Technology and finance

Being strong strategic thinkers, they focus easily on marketing and operators.

- (ii) List the fields in which 'Motivator' has business strengths. **[R]**

Ans. They do well in business with partners, or in a business that involves others (where people are a large part of the equation).

- (iii) List the fields in which 'Collaborator' has business strengths. **[R]**

Ans. Collaborators are good in any business where convincing is an important aspect of getting the job done and done right. They do well in a structured environment and can be great salesman because they use their sociability to impress the people.

- (iv)** List the fields in which 'Diplomat' has business strengths. **[R]**

Ans. The diplomat's excel in retail or other people-oriented environments. They are restless and perform better under a certain amount of

pressure. They adjust themselves according to the environment and situation.

Q. 2. Answer the following in about 50 words

- (i) Describe the characteristics of a 'Go-getter' type of personality. **[R]**

Ans. Go-getters entrepreneurs are mainly founders of new ventures. They have ability to invest in, buy or start a business that is totally new and make a success of it. They learn by doing and develop expertise in any area. They are prepared for working in ambitious and unfamiliar environment.

- (ii) What is Brainstorming? **[R]**

Ans. Brainstorming is a process of finding a creative solution of a problem. A group of people sit together and generate a number of business ideas keeping in mind different ways of meeting the needs and solving problems. It is an informal discussion in which one idea leads to another.

- (iii) What do you mean by Environment Scanning? **[R]**

Ans. Environment scanning means close examination of the environment to develop an understanding of Socio-culture, economic, political and other environmental factors. The main purpose of environment scanning is to ensure that the perceived opportunity is compatible with the environmental factors.

- (iv) What are Focus Groups? **[R]**

Ans. These groups of individuals provide an excellent way to generate new ideas and to screen proposed ideas and concepts. These groups are mainly focused on group discussion or whatever issues

are being examined in the process of generating ideas. They provide significant answers to the questions asked by the moderators.

(v) **Explain Feasibility Study.** [R]

Ans. Feasibility study can be defined as a controlled process for identifying problems and opportunities, determining objectives, describing situations, defining successful outcomes, and assessing the range of costs and benefits associated with several alternatives for solving a problem. Feasibility study is the process of understanding that an idea is feasible or not i.e. idea will work or not and how it will work etc.

(vi) **What do you think is the reason for failure of business plan execution?** [U]

Ans. The main reason of failure of a business plan is that strategies are not executed well. It means the things that are supposed to happen just don't happen. Mainly there can be two reasons :

(i) Planning is not good;

(ii) Planning is good but executed well. Failure of a business plan creates confusion and conflicts in the organization.

Q.3. Answer the following in about 75 words

(i) **What do you mean by 'Opportunity Assessment'?** [R]

Ans. Opportunity assessment means review of the business opportunity which includes the following points :

- (a) Application of the opportunity
- (b) Barriers to entry
- (c) Industry trends
- (d) Growth potential
- (e) Market positioning
- (f) Competitive analysis
- (g) Financial projections and planning
- (h) Resource requirement analysis, etc.

(ii) **Why are feasibility studies more important?** [R]

Ans. Feasibility studies is comprehensive written plan which includes objectives, finance, type of organization, target group and product/service etc. It helps an entrepreneur as it provides guideline and clear direction to him. Feasibility study helps in assessing the requirement of funds needed to start the enterprise, resources required, competition, cost of the product and what should be the selling price per unit etc.

(iii) **Why do you think the role of family in an entrepreneur's life is important?** [R]

Ans. Family of an entrepreneur plays important role in framing the entrepreneurial spirit and business idea in the mind of the entrepreneur. In most of the cases family helps an entrepreneur by providing financial and moral support. The attitude of

family towards education also dominate the mindset of a person toward entrepreneurship. It is quite likely that the families will obtain loan for the professional education of child rather than funding a new business venture where risk is involved. This sacrifice of family develops good business ethics and positive entrepreneurial spirit in the life of a person.

Q.4. Answer the following in about 150 words.

(i) **According to Dell, what was the final outcome of the study about women entrepreneurs?** [A]

Ans. Final outcome of the study about women entrepreneurs:

- (a) As per the dell outcomes 71% women entrepreneurs are doing very well 8 in 10 of them are hiring people in their enterprise.
- (b) 74% women entrepreneurs need new technology.
- (c) 90% started their own business while maintaining their day job.
- (d) 85% women entrepreneurs accepted the value of social impact on their business.
- (e) In next 5 years, women entrepreneurship may touch an average of 90 percent.

(ii) **Explain in detail any four entrepreneurial types.** [R]

Ans. Four types of entrepreneurs are:

(a) **Go-getters Entrepreneurs** : Go-getters entrepreneurs are mainly founders of new ventures. They have ability to invest in, buy or start a business that is totally new and make a success of it. They learn by doing and develop expertise in any area. They are prepared for working in ambitious and unfamiliar environment.

(b) **Trailblazer Entrepreneurs** : Trailblazers are very competitive, ambitious and goal-oriented. They have following business strengths:

- (1) Competitiveness
- (2) Ambitious
- (3) Goal oriented
- (4) Aggression
- (5) Restless and energetic
- (6) Technology and finance

(c) **Collaborators Entrepreneurs** : Collaborators are good in any business where convincing is an important aspect of getting the job done and done right. They do well in a structured environment and can be great salesman because they use their sociability to impress the people.

(d) **Diplomat Entrepreneurs** : The diplomat's excel in retail or other people-oriented environments. They are restless and perform better under a certain amount of pressure. They adjust themselves according to the environment and situation.

(iii) Explain any four main sources of ideas. **R**

Ans. Main sources of ideas :

(a) Environment Scanning

Environment scanning can play important role in generating new ideas. Through environment scanning an entrepreneur processes large amount of information from popular business magazines, business reviews, government and consumer publications, trade publications and commercials etc.

It requires a lot of efforts and energy but the result is fruitful.

(b) Creativity and Problem Solving

Through creativity an entrepreneur can add new features to an existing product or he can modify it as per the requirement and demand of the customers. Creativity is a regular feature of entrepreneurship through which he always finds the new ways of doing things.

An entrepreneur can use the following specific creative approaches i.e. (1) Attribute listing : Through which an entrepreneur understands the positive and negative attributes of a product and he develops a new idea. (2) Free association : Entrepreneur uses word associations to develop a new idea.

(c) Brainstorming

Brainstorming is a process of finding a creative solution of a problem. A group of people sit together and generate a number of business ideas keeping in mind different ways of meeting the needs and solving problems. It is an informal discussion in which one idea leads to another.

R (v) Differentiate between feasibility study and business plan. **R**

Ans. Feasibility Study vs. Business Plan:

Basis	Feasibility Study	Business Plan
Meaning	Feasibility study is done before developing the business plan. It helps in assessing that idea is viable or not.	Business plan takes place after the feasibility study. It is a written summary of various elements involved in starting a new enterprise.
Objective	The main objective of feasibility study is to assess that the business venture is worth the time, effort and resources or not.	The main objective of a business plan is to develop the tactics and strategies to be implemented
Linkage	Feasibility study can be linked with the business plan.	Business plan cannot be linked with the feasibility study because it is prepared after the feasibility study.
Benefit	The main benefit of feasibility study is that it gives a clear picture of the viability of an idea.	The main benefit of a business plan is that it looks forward for the growth and sustainability.

(vi) What purposes does a Business Plan serve? **U**

Ans. A business plan serves the following purposes:

(a) Business plan is also known as a blueprint of the business which provides right direction and guidance to the entrepreneur.

(d) Focus Groups

An entrepreneur can take help from the focus groups to generate new ideas. These groups also help in screening the proposed ideas and concepts. These groups can do any research on behalf of the entrepreneur provide information about the proposed product or services and also provide answer to the questions asked by the moderators.

(iv) Explain the types of feasibility study. **R**

Ans. Types of feasibility study:

(a) **Market Feasibility :** Through market feasibility an entrepreneur gets the description of current market, competitors, anticipated future market, potential buyers and estimated revenue from operations etc.

(b) **Technical Feasibility :** Technical feasibility is concerned with delivering the product or service to the ultimate consumer. For this an entrepreneur should keep in mind the important variable like material cost, labour cost and transportation cost etc.

(c) **Financial Feasibility :** An entrepreneur must forecast in the beginning, how much capital is required to start a business, what are the sources of capital, what will be the structure of capital and return on investment etc.

(d) **Organizational Feasibility :** Success of the business depends upon the knowledge, skills, experience and decision making power of an entrepreneur. He should have good knowledge about the legal and corporate structure of the business.

(b) It helps in raising the factors of production.

(c) It provides proper direction and also helps in organizing the business activities.

(d) It helps in assessing the progress of the enterprise and what preventive measures should be taken.

- (e) A good business plan attracts the potential investors, lenders and suppliers, etc.

Q.5. Answer the following in about 250 words

- (i) Explain in detail the elements of business plan. [3]

Ans. Elements of a business plan:

(a) General Introduction

- (1) Name and address of enterprise
- (2) Name and address of entrepreneur
- (3) List of stakeholders of the enterprise
- (4) Type and nature of business

(b) Business Venture

- (1) What type of product or service is to be offered?
- (2) Level of business operation, i.e., small scale, medium scale or large scale.
- (3) What type of technology is required for production?
- (4) What type of employees required, i.e., skilled, unskilled, highly educated etc.

(c) Organizational Plan

- (1) Nature of business i.e. sole proprietorship, partnership or joint stock company
- (2) What type of administration is required?
- (3) Hierarchy of management, positions and authorities.

(d) Production Plan

- (1) Complete details of production process
- (2) What type of infrastructure is required?
- (3) What type of machinery is required?
- (4) What type of raw materials is to be used?
- (5) Requirement of electricity, water etc.

(e) Human Resource Plan

- (1) What type of human resource/staff is required?
- (2) Human resource already identified.
- (3) Number of employees required.
- (4) Within what time staff is to be procured?

(f) Marketing Plan

- (1) Marketing plan should be according to the products and services offered to the customers.
- (2) What will be the price of the product and different pricing policies adopted, if any?
- (3) What are the promotional strategies?
- (4) Logistics for distribution of goods.
- (5) Selection of appropriate channel of distribution.

(g) Financial Plan

- (1) To assess the Break Even Point
- (2) Requirement of capital i.e. fixed capital and working capital

- (3) What are the sources of capital i.e. shares, debentures, long term borrowings, etc.

- [3] (ii) Although there is no singular process to manage the execution of a business plan, there are basic processes and fundamentals to be followed. Enlist them. [1]

Ans. There are basic processes and fundamentals to be followed :

- (a) **Core Competencies:** After establishing the mission, vision and strategy, main focus should be on core competencies. Different strategies must be formulated to achieve the goals.
- (b) **Evaluation:** Evaluation is necessary regarding the right people, right skills, right jobs, right number of employees and reallocation of human resources (if required).
- (c) **Identification:** Where we are and where should be? This analysis should be done time to time. Each and every department and employee should understand this and contribute for the same. Every worker should understand his role in the organization.
- (d) **Budget:** A well designed budget can support the plan. Properly planned budget can help in developing the right combination of strategy, tactics and financial support.
- (e) **Communication:** A strong message should be given to the entire organization through a solid communication skill. Compensation and reward system should be developed so that organization does not stray from its actual strategy.
- (f) **Review Process:** Each and every step should be reviewed from the beginning so that necessary changes can be made on time. Review process can help in building or changing a review regarding market, customers, competitors and government regulations etc.

- (iii) Explain in detail any six problems faced by Women Entrepreneurs. [1]

Ans. Problems faced by women entrepreneurs :

- (a) **Patriarchal Society :** This is main problem faced by the women entrepreneurs that there is a gender bias in our society due to which they do not get the required support to start a business.
- (b) **Lack of opportunities :** A female gets less opportunity in comparison to a man whether it is the field of education or business. A female can be more skilled than a man. They should be educated well so that they can overcome his challenge.
- (c) **Enabling technologies for women :** Women can handle any job if they get proper training and technical support. Enabling technologies for women will help them in understanding and

developing the new methods of production and marketing etc.

- (d) **Social barriers** : Whether it is rural area or urban area, they are facing some kind of social barriers. Proper education, positive legislation and effective government policies can provide a strong support to the women entrepreneurs.
- (e) **Attitude of creditors towards women** : Women entrepreneurs face problem in arranging finance

for their business because of the attitude of creditors towards women. But now a days women entrepreneur are performing so well that mindset of creditors changing towards them.

- (f) **Organised sector** : Skilled women should get opportunities to work in an organized sector because they do not get their due in unorganized sector. They need proper education and government support only then they would be able to join the organized sector.



High Order Thinking Skills (HOTS) Questions

Application based exercise:

Activities:

1. It is fun to think of yourself as a business owner, to dream about your successes, and to talk about your ideas. But when you have to answer the specific questions of a business plan, you must make decisions about the direction your business will take decisions that may show you that this idea is not likely to be successful. But, no problem, then you can go back and make different decisions until you find a way to be successful. Think like an entrepreneur and develop a business plan for a business of your choice. After developing your business plan, you will want to discuss your ideas with the class or an advisor to improve your plan and determine what you learned in the process of preparing a business plan.

Ans. Failure is due when planning and strategies not correct. To develop a focused strategic business plan appropriate time and energy should be devoted. A good business plan helps in understanding the market, competition, customers, investors, business environment and the latest trends. Strategies most often fail because they are not executed well. The key to a successful execution is alignment. Strategy, people, and work processes need to be effectively linked.

Learning involved in the process of preparing a business plan :

- (a) After establishing the mission, vision and strategy, main focus should be on core competencies. Different strategies must be formulated to achieve the goals.
- (b) Evaluation is necessary regarding the right people, right skills, right jobs, right number of employees and reallocation of human resources (if required).
- (c) Where we are and where should be? This analysis should be done time to time. Each and every department and employee should understand

this and contribute for the same. Every worker should understand his role in the organization.

- (d) A well designed budget can support the plan. Properly planned budget can help in developing the right combination of strategy, tactics and financial support.
- (e) A strong message should be given to the entire organization through a solid communication skill. Compensation and reward system should be developed so that organization does not stray from its actual strategy.
- (f) Each and every step should be reviewed from the beginning so that necessary changes can be made on time. Review process can help in building or changing a review regarding market, customers, competitors and government regulations, etc.

2. No one knows you or your ideas better than you do. It is the process of seeking the answers to important questions about your enterprise that are important as you try to realize the dream of owning your own business. **AE**

Ans. This is true that no one knows you or your ideas better than you. Entrepreneurs are successful because they know about themselves and their ideas. It is not easy to judge the level of motivation of an entrepreneur. A challenge or obstacle for an individual is an opportunity for an entrepreneur. They know how to convert problems into opportunities. SWOT analysis also help them in understanding more about their enterprise and environment.

The entrepreneurs perceive opportunities and make a critical analysis of the information available to them. They are the people with vision and able to meet any challenge come their way. To convert an idea into a business opportunity, an entrepreneur employs his skills of observation, analysis and synthesis to identify an opening. They believe in starting their own enterprise instead of looking for a job.

An entrepreneur should have clear answer of the following question :

- (a) **Is there a good market for the product?**
- (b) **What is the rate of return on investment made by him?**

3. Use the following questions to make decisions about a business idea of your choice. Be sure to write out your answers to remember your decisions and build on them. [AE]

- (i) **How can you describe the business in only one paragraph please?**

Ans. Business is an enterprise where all economic activities are performed. It involves the regular production or purchase and sale of goods undertaken with an objective of earning profit and satisfying the human wants. Business can also be defined as a human activity directed towards producing or acquiring wealth through buying and selling of goods. The profit is a reward for the services of a businessman. A business transaction should have minimum two parties that is a buyer and a seller.

In simple words, business is nothing but a contract or an agreement between buyer and seller.

Business is subject to risks and uncertainties. A businessman takes a moderate risk and tries to convert it into a profitable venture.

- (ii) **What is your product, or service?**

Ans. Hair oil

(Note: Students can assume any product of their choice)

- (iii) **Who will buy it?**

Ans. The target is to sell this product to all age group people. This product is used by almost every family.

- (iv) **Where should you locate the business?**

Ans. Delhi.

- (v) **How can you attract customers?**

Ans: Customers can be attracted by a proper marketing channel which includes TV ads, newspaper, social media platform, radio, magazines and periodicals etc.

- (vi) **What is your competition?**

Ans. There are so many competitors in the market already selling the same type of product. It will be a challenging task to make foothold in the market in the initial stage.

- (vii) **How much should you charge for the products or service?**

Ans. Price of the product depend upon the price of our competitors. It will not be a good idea to charge more or less (from the competitors' price) in the beginning when our product is completely new to the market.

- (viii) **What advice do you need and who can provide it?**

Ans. I need advice on how and when to launch the product in the market. I also need advice on marketing of the product. I will contact some 'Ad Gurus' and marketing experts to know the answer of my questions.

- (ix) **How will you organize the managers and/or workers of the business?**

Ans. Complete business plan will be discussed with the managers and workers. They should know the objective of enterprise only than they will be able to contribute their best. To manage them in an effective manner their financial needs, promotion, training and recognition needs will be planned in the beginning.

- (x) **How will you split the profits? Who is responsible for the losses?**

Ans. Profits can be split as :

- (a) Working capital
- (b) Tax
- (c) Dividend
- (d) Reserves
- (e) Provisions

A businessman is always responsible for losses in the business. Not only businessman but the whole team is responsible for the losses made by the firm. A proper planning is required to avoid the losses in future.

- (xi) **How much money is needed to get the business started?**

Ans. A business can be started by any amount there is no limit on that. *For Example;* Narayana Murthy started Infosys in 1981, he had no capital and his wife Sudha Murthy gave him ₹ 10,000/- which she had saved for a rainy day.

- (xii) **How many customers will you have per month and how much will they buy per month?**

Ans. Out target will be reach upto 1,000 customers per month and expected sale per month from them is 2,000 hair oil bottles of 200 gm. each.

- (xiii) **How much does it cost to make the product or provide the service?**

Ans. Cost of the product varies time to time but some expenses are to be done again and again on the manufacturing and sale of the product.

- (xiv) **What are your operating costs? (Include your own salary)**

Ans. Operating cost will be 60% (estimated) of the total revenue per month.

- (xv) **How much money will your business earn each month by selling your product or service?**

Ans. Estimated amount of per month income is ₹ 12,00,000.

(xvi) How much investment will you need to keep the business going until you make a profit?

Ans. Total investment required for my business is 90,00,000 in the initial stage.

(xvii) How much money do you need to borrow to start this business?

Ans. 40% money is to be borrowed, i.e., 36,00,000.

(xviii) How will you make the business grow in the future?

Ans. Some aspects of business growth :

- (a) Open another location
- (b) Offer your business as a franchise or business opportunity
- (c) License your product
- (d) Form an alliance
- (e) Diversify
- (f) Target other markets
- (g) Win a government contract
- (h) Merge with or acquire another business

4. Write an article for the newspaper about the challenges faced by women entrepreneurs throughout their journey. [C]

Ans. Women entrepreneurs face a series of problems right from the beginning till the enterprise functions. Gender bias is the main problem faced by the women entrepreneurs that there is a gender bias in our society due to which they do not get the required support to start a business. A Female gets less opportunities in comparison to a man whether it is the field of education or business. A female can be more skilled than a man. They should be educated well so that they can overcome his challenge. Women can handle any job if they get proper training and technical support. Enabling technologies for women will help them in understanding and developing the new methods of production and marketing, etc. Whether it is rural area or urban area, they are facing some kind of social barriers. Proper education, positive legislation and effective government policies can provide a strong support to the women entrepreneurs. They face problem in arranging finance for their business because of the attitude of creditors towards women. But now a days women entrepreneurs are performing so well that mindset of creditors changing towards them.

Skilled women should get opportunities to work in an organized sector because they do not get their due in unorganized sector. They need proper education and government support only then they would be able to join the organized sector.

5. Women Entrepreneurs have braved the world and carved a niche for themselves. They have set examples for the woman power to identify their worth and prove their metal, be it Simone Tata, Indu Jain, Ela Bhatt, Jaswanti Ben Papat, Dr. Kiran M. Shaw, Mahima Mehra, Zia Modi, Anita Roddicks, Kalpana Saroj, to name a few.

Research about them and find out

- (i) The name of their Entrepreneurial ventures.
- (ii) What barriers did they face in their entrepreneurial journey ?
- (iii) How did they overcome these barriers ?
- (iv) What made them so strong and committed? Also about the role play by the family as a support structure. [A]

Ans.(i) Entrepreneurial Ventures :

- (a) Simone Tata-Simone Naval Tata, is a Swiss-born Indian Business woman belonging to the Tata family.
- (b) Indu Jain-Indu Jain belongs to the Sahu Jain family and is the current chairperson of India's largest media group, Bennett, Coleman & Co. Ltd., which owns the Times of India and other large newspapers.
- (c) Ela Bhatt-is an Indian cooperative organiser, activist and Gandhian, who founded the Self-Employed Women's Association of India (SEWA) in 1972.
- (d) Jaswantiben Papat-Lijjat Papad.
- (e) Dr. Kiran Mazumdar-Shaw is an Indian entrepreneur. She is the chairman and managing director of Biocon Limited, a biotechnology company based in Bangalore.
- (f) Mahima Mehra-Haathi Chaap.
- (g) Zia Modi-AZB & Partners, one of India's largest law firm.
- (h) Anita Roddicks-Body Shop.
- (i) Kalpana Saroj-Kamani Tubes.

(ii) Barriers faced by women entrepreneurs:

- (a) Patriarchal society
- (b) Lack of opportunities
- (c) Enabling technologies for women
- (d) Social barriers
- (e) Attitude of creditors towards women

(iii) They could overcome because of following reasons:

- (a) Passion
- (b) Commitment
- (c) Motivation
- (d) Leadership

(e) Education

(f) Sacrifice

(g) Integrity

(h) Honesty

(i) Positivity

(j) Self confidence

(k) Skills

(iv) Traits which made them so strong and committed :

(a) Capacity of taking initiative

(b) Support of family and relatives

(c) Never give up attitude

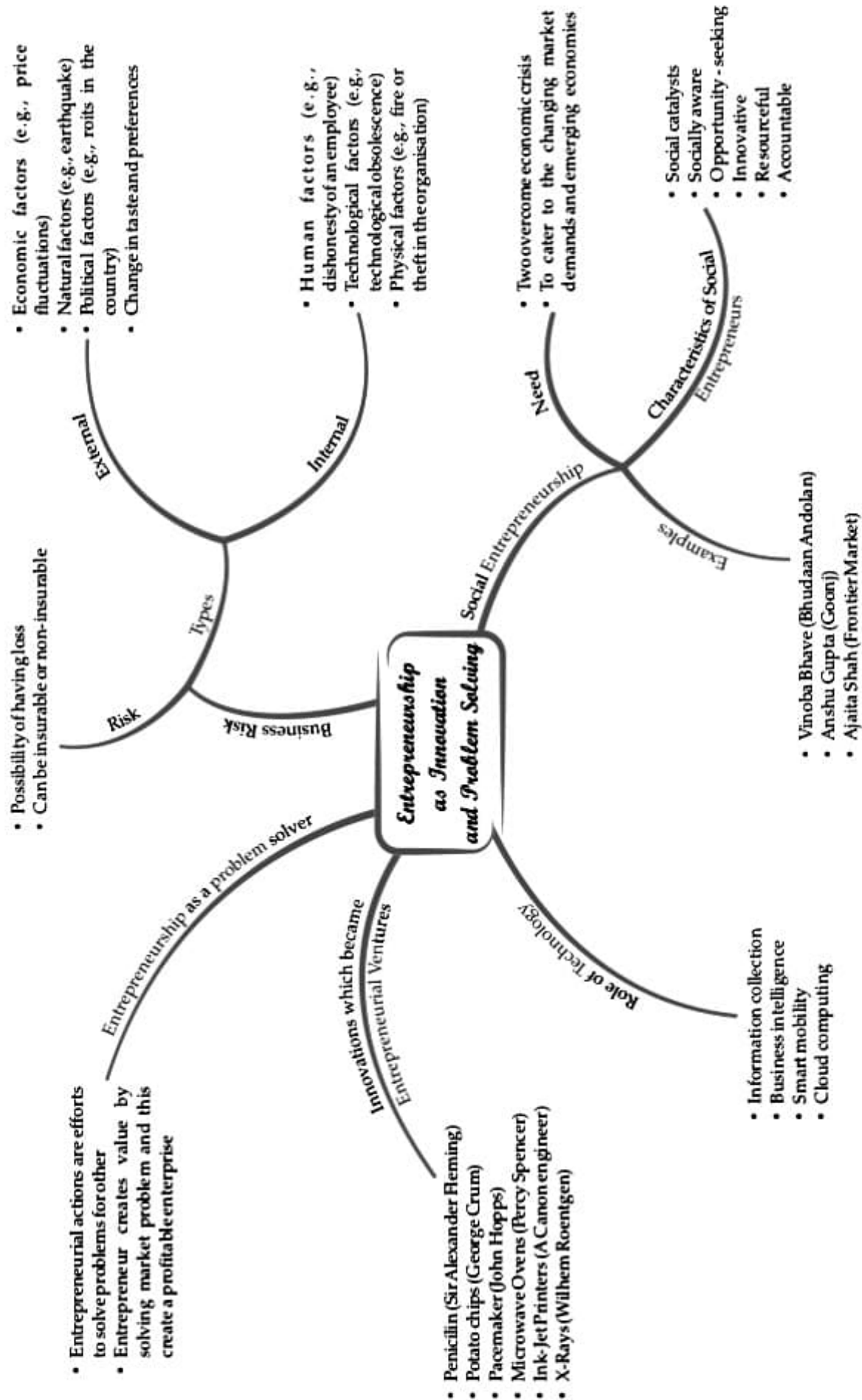
(d) Spirit of doing something new and different

(e) Self confidence

These women entrepreneurs got huge support from the family to start their own business.

Some women entrepreneurs have already good financial background but some have really struggled to become a successful women entrepreneur.





CHAPTER

4

ENTREPRENEURSHIP AS INNOVATION AND PROBLEM SOLVING

Syllabus

Contents

- Entrepreneurs—as problem solvers
- Innovations and Entrepreneurial Ventures—Global and Indian
- Role of Technology—E-commerce and Social Media
- Social Entrepreneurship : Concept
- Risk Taking-Concept; types of business risks

Learning Outcomes

After going through this unit, the student/learner would be able to :

- Understand the role of entrepreneurs as problem solvers.
- Appreciate the role of global and Indian innovations in entrepreneurial ventures.
- Understand the role and importance of technology and digitization for new businesses.
- Discuss the concept of social entrepreneurship.
- State the meaning of entrepreneurial risk and risk management.



TOPIC-1

Concept of Innovation and Social Entrepreneurship

Revision Notes

- Innovations that became entrepreneurial ventures :

- Penicillin
- Potato Chips
- The Pacemaker
- Microwave Ovens
- Ink-Jet Printers
- X-Rays

- Definition of Social Entrepreneurship

According to J. Gregory Dees "Social entrepreneurship is that which combines the passion of a social mission with an image of business-like discipline, innovation, and determination".

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about
this topic



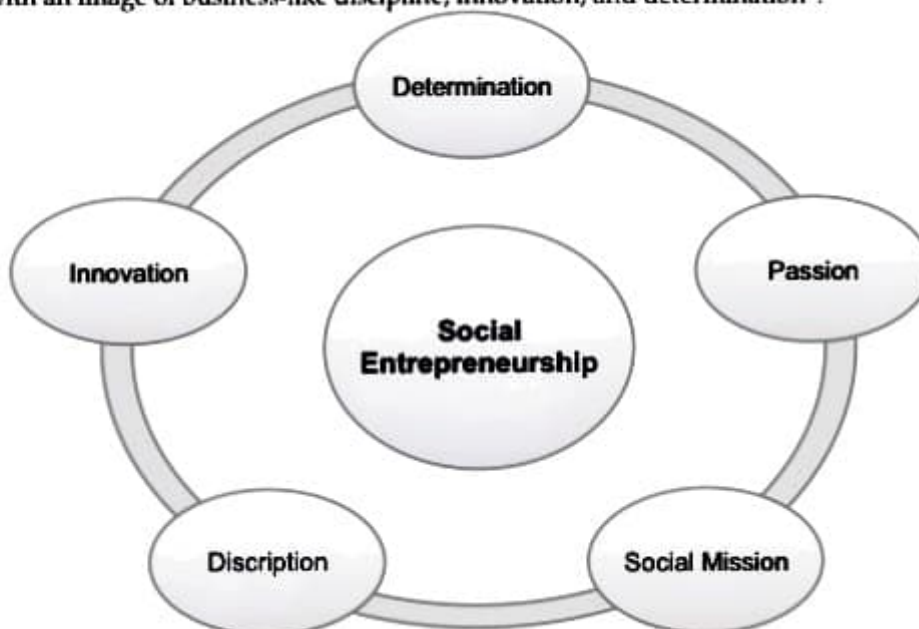
Entrepreneurship
as Innovation
and Problem Solving

TOPIC - 1

Concept of Innovation and Social
Entrepreneurship P. 50

TOPIC - 2

Concept and Types of Risk P. 54



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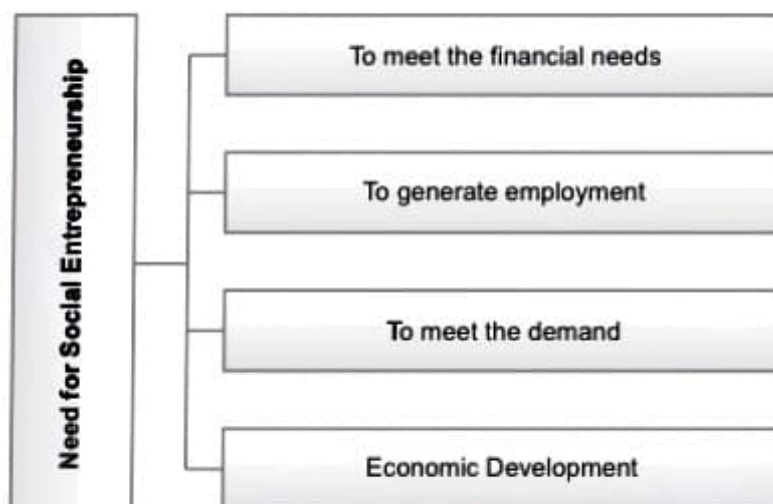


Social
Entrepreneurship

➤ **Characteristics of Social entrepreneurs :**

- (i) Social Catalysts
- (ii) Socially Aware
- (iii) Opportunity Seekers
- (iv) Innovative and Creative
- (v) Resourceful
- (vi) Accountable

➤ **Need for Social Entrepreneurship :**



➤ **Role of Technology :**

- (i) Information collection;
- (ii) Business intelligence;
- (iii) Smart mobility;
- (iv) Cloud computing.



Know the Terms

- **Social Entrepreneurship:** Social entrepreneurship combines the passion of a social mission with an image of business-like discipline, innovation, and determination.
- **Problem Solver:** Entrepreneurs are called problem solver because they provide creative solution to all the problems and convert them into profitable business opportunity.
- **Social Catalysts:** Entrepreneurs are called social catalysts because they bring positive change in society by reforming social systems and creating sustainable improvements.
- **Socially aware:** The main focus of a social entrepreneur is on social improvement instead of making profits and creating wealth.
- **Opportunity – Seeking:** Entrepreneurs are good in seeking opportunity because they can convert any problem into an opportunity.
- **Innovative and Creative:** Entrepreneurs are very innovative and creative through which they apply their ideas to new situations.
- **Resourceful:** They may have limited resources but their vision is not limited by the resources. They know how to make best use of existing resources without wasting them.
- **Accountable:** Entrepreneurs are accountable and responsible. They believe in creating value and understanding the needs of the customers.
- **Perceived opportunities:** When an entrepreneur creates and innovates something valuable, it is considered as perceived opportunity.

? Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

1. Entrepreneurial actions are efforts to solve problems for others. Therefore, entrepreneurs are _____. **R**

BT 2. A _____ is a person who pursues novel applications that have the potential to solve community-based problems. **R**

3. Urvashi Sahni is the founder and CEO of SHEF (Study Hall Education Foundation), an organization dedicated to offering education to the most disadvantaged girls in India. She is an example of _____ entrepreneur as she is serving the society. **A**

Ans. 1. Problem Solvers, 2. Social entrepreneur, 3. Social.

(B) State whether the following statements are True or False:

1. Entrepreneurial actions are efforts to solve problems for others. **U**
2. Social entrepreneurs are accountable to their beneficiaries. **U**
3. Social entrepreneurs' visions are generally limited by resources. **U**

Ans. 1. True, 2. True, 3. False.

(C) Multiple Choice Questions:

1. _____ is the ultimate goal of social entrepreneurs. **R**

- (a) Social improvement
(b) Profit
(c) Wealth for share holders
(d) All of the these

Ans. (a) Social Improvement

BT 2. Characteristic of social entrepreneurs is : **R**

- (a) Socially aware
(b) Opportunity-seeking
(c) Innovative
(d) All of the above

Ans. (d) All of the above

BT 3. Drayton is the founder and current chair of Ashoka; Innovators for the Public, an organization that is dedicated to finding and helping social entrepreneurs around the world. He is an : **A**

- (a) Social entrepreneurs
(b) Trading entrepreneur
(c) Drone entrepreneur
(d) All of the above

Ans. (d) All of the above

? Short Answer Type Questions-I

(2 marks each)

Q. 1. How an enterprise can survive for a longer time period? **U**

Ans. An enterprise can survive for a longer time period if:

- (i) It understands the needs and problems of the people
(ii) Produces product as per their needs and requirement. **2**

Q. 2. Give any two examples of inventions with the name of inventors. **U**

Ans. Two examples of inventions are:

- (i) Invention: Potato Chips and name of inventor is George Crum.
(ii) Invention: Microwave Ovens and name of inventor is Percy Spencer. **2**

Q. 3. To adopt the E-commerce approach, every business is changing itself these days. What

changes a business should make to become a successful enterprise. **AE**

Ans. A business should make the following changes :

- (i) Organization approach;
(ii) Ways of working;
(iii) Use of modern technology;
(iv) Perspectives, scope and outlook. **2**

Q. 4. How E-business is helping the entrepreneurs? **U**

Ans. E-business is helping the entrepreneurs in the following ways :

- (i) Through E-business, entrepreneurs are able to attract more customers.
(ii) Customers prefer online purchase because of its easiness and convenience. **2**

? Short Answer Type Questions-II

(3 marks each)

Q. 1. Give any three examples of risk involved through human factors in an organisation. **U**

Ans. Three Examples of risk involved in human factors:

- (i) Strikes and lock-outs.
(ii) Negligence and dishonesty of an employee.

- (iii) Incompetence of the staff, manager and other important people. **3**

Q. 2. What is the main role of technology and social media in creating new forms of business? **R**

Ans. Role of technology and social media:

- (i) **Role of technology** : Technology has important effects on business operations. Whether it is a small enterprise or large enterprise, technology has both tangible and intangible benefits that will help an entrepreneur in making money and producing good results. Technological infrastructure affects the culture, efficiency and relationships of a business.
- (ii) **Role of Social Media** : Social media has a definite impact on brand awareness. In today's world, most of the entrepreneurs increase brand awareness via social media. Images and videos play an important role helping an enterprise to grow its brand awareness on social media channels. 3

Commonly Made Error

- Students wrote relevance of technology and social media by considering them one and same thing.

Answering Tips

- Write relevance of both separately..
- Stress should be laid upon the terms like efficiency, culture, brand awareness, etc.

Q. 3. Explain the following roles of E-business :

- (i) **Less risk in payments**
 (ii) **Easy to launch new products**
 (iii) **Lower personnel cost** U

- Ans.** (i) **Less Risk in Payment** : Customers can pay online by using Debit Card, Credit Card, and Net Banking etc. which reduces the risk in payments.
- (ii) **Easy to launch new products** : E-business provides an ultimate platform to launch a product. It also helps in generating sales and profit.
- (iii) **Lower Personnel cost** : It reduces the cost of employees. A complete automation of check-out, billing, inventory management, payments and other type of operational costs lower the total number of employees that you require to run your e-commerce business. 3

? Long Answer Type Questions-II

(6 marks each)

Q. 1. Explain the importance of Social Entrepreneurship as problem solving. U

- Ans.** (i) **Helpful in identifying the social issue/problem** : Social entrepreneurs are well known for solving the problem of the society. They have an urge to take positive steps to resolve the social issues by means of social action and resource development. Entrepreneurs play important role in changing the mind set and attitude of the people, creating awareness or pulling in resources for better social entrepreneurship and education, health or livelihood facilities.
- (ii) **Developing a social mission** : The main focus of an entrepreneur should be on social venture. Social entrepreneurs play important role in improving the standard of living of the individuals by developing the infrastructure, resources and environment.
- (iii) **Efficient Management to develop the support** : The main focus of an entrepreneur is always on efficient management so that the problems of the society can be handled efficiently. For this, entrepreneur needs support from various organization for resources and finance.
- (iv) **Economic Development** : Social entrepreneurship is helpful for the economic development of a country. Different innovations by the entrepreneurs make them agent of progress in the society. Entrepreneurship is the life line of a nation without no country can progress. Through innovation, entrepreneur provides new

ideas, technology, market and products, which enhance the process of economic development.

- (v) **Employment opportunities** : Economic development cannot be done without providing employment opportunities to the resident of the country. Social entrepreneurship bring more and more employment opportunities.
- (vi) **Social Benefits** : The concept of entrepreneurship is not only beneficial from the viewpoint of business, it is also beneficial from the viewpoint of society. It encourages for the better utilization of limited resources and promotes peace and prosperity in the society. 6

Q. 2. Explain the problems which are adversely affecting the Social Entrepreneurship. U

- Ans.** (i) **Difficult to inspire the individuals** : Behind every social entrepreneur is a team doing some serious heavy lifting to implement the entrepreneur's vision. It is a challenge for an entrepreneur to inspire the individuals to participate in his objective. The individuals who work with entrepreneur may not be aware about the social work and the motive of the organization.
- (ii) **Poor economies of scale** : Most of the people assume that they need to start their own organization. This results in the need to raise unrestricted revenue to build infrastructure-book-keeping/accounting, program evaluation, information systems, etc. In such a case resources get diverted from problem solving to organization building.

- (iii) **Ignorance of basic values** : There is no shortage of non-profit organizations doing very innovative things that nonetheless fail to be recognized, perhaps because they lack a charismatic leader. People who have good financial background enter in the field of business as social entrepreneur but after sometime their motive is to earn profit.
- (iv) **Lack of evidence** : Many social entrepreneurial ideas are largely untested. It's great that these ideas represent new approaches to tackling social problems, but promotion of these ideas tends to be far out in advance of sufficient evidence that they merit promotion as "the next big thing".
- (v) **The commercial assumption** : A strong bias exists in favour of commercial approaches to addressing social problems. It's always valuable to exploit market opportunities to make innovations more financially sustainable and/or create new economic opportunities for the poor, but often public or private subsidies are needed to catalyze change.
- (vi) **Lack of an ethical framework** : All entrepreneurs are not ethically strong. Unethical practices may damage a firm's reputation and credibility, subsequently making it less appealing to stakeholders. 6



TOPIC-2

Concept and Types of Risk

Revision Notes

➤ External Risk Factors

- (i) **Economic Factor** : A business may face problem due to the economic barriers such as :
 - (a) Change in demand
 - (b) Change in price
 - (c) Change in taste and preference of customers
 - (d) Change in income status of the customers
 - (e) Increase in the level of competition
 - (f) Unemployment and fluctuation in economy
- (ii) **Natural Factors**: These are the unforeseen natural calamities which are unstoppable:
 - (a) Earthquake
 - (b) Flood
 - (c) Famine
 - (d) Lightening
 - (e) Famine
- (3) **Political Factors**:
 - (a) Stability of government
 - (b) Change in government policies
 - (c) Civil War
 - (d) Communal violence
 - (e) Protest and strikes
- (4) **Change in taste and preference of customers**: It will affect the business system for example earlier home-made food was preferred by the people but now demand of fast food is increasing day by day.

➤ Internal Risk Factors

- (i) **Human Factor**: It is a most important factor which may cause a serious business risk. Due to strikes, lock-outs by trade unions, embezzlement by employees, theft, dishonesty, negligence, accident, death of a worker at workplace, incompetence of the supervisors and managers may cause a serious risk to the business.
- (ii) **Technological Factor**: An entrepreneur must keep eye on the latest technology to avoid business risk. If there is some technique which can provide high quality product at low price without effecting the environment then entrepreneur must adopt that technology. Technology may play important role in saving time and wastage of material.
- (iii) **Physical factors**: These factors cannot be ignored because they may cause a serious business risk for the entrepreneur. Mainly these risks are failure of machinery and equipment to be used in the process of manufacturing, loss by fire or theft and damage of goods in transit. This type of risk cannot be forecasted by the entrepreneur.

- (iv) **Business Risk** : It means decrease in profit due to the unfavourable environment. It may be due to change in taste and preferences of customers, change in technology etc. These risk can be either insurable or non insurable.

Scan to know
more about
this topic



Business
Risk

Know the Terms

- **Risk**: It is the chance of loss. Sometimes a business firm may face some unfavourable occurrence.
- **Insurable Risks**: These risks are mainly related to life and property against fire, theft, riots etc.
- **Non-insurable risks**: These risks can't be estimated and can't be secured. For example; Fluctuations in price and demand.
- **Internal Risks**: It is mainly dependent upon the events taking place within the business enterprise.
- **External Risks**: It is mainly dependent upon the events taking place outside the business enterprise.
- **Business Intelligence**: It is an ability of an enterprise to collect, maintain and organise data.

? Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

1. _____ refers to a threat to the company's ability to achieve its financial goals. R

2. Loss of the property from theft is classified under _____ category of risk. A

3. _____ are those risks which arise from the events taking place within the business enterprise. R

Ans. 1. Business risk, 2. Insurable, 3. Internal Risks.

(B) State whether the following statements are True or False:

1. Earth quake is an example of non-insurable risk. A
2. Gambling is an example of insurable risk. A
3. External risks arise during the ordinary course of a business. U
4. Strikes and lock-outs are examples of internal risk. A

Ans. 1. True, 2. False, 3. False, 4. True.

(C) Multiple Choice Questions:

1. Which of the following is not an example of external risk? A

- (a) Changes in government legislation
- (b) Natural disasters
- (c) Confiscation
- (d) Labour shortage

Ans. (d) Labour shortage

2. Loss of profit through competition is a/an : A

- (a) Insurable risk
- (b) Non-insurable risk
- (c) Internal risk
- (d) None of the above

Ans. (b) Non-insurable risk

3. Business risk means chances of loss in the business or decrease in profit due to the unfavourable environment. It may be due to the : U

- (a) Change in taste and preference of customers
- (b) Change in technology
- (c) Change in law and change in market trends
- (d) All of the above

Ans. (d) All of the above

? Short Answer Type Questions-I

(2 marks each)

- Q. 1. Give any four examples of 'Natural Factors' which may cause risk for an enterprise. R

Ans. Examples of Natural factors are :

- (i) Earthquake
- (ii) Flood
- (iii) Famine
- (iv) Cyclone

2

- Q. 2. Why a business enterprise collect information from the market ? U

Ans. This is a regular feature of any business enterprise to collect information from the market. Mainly this information is related to the age, regularity of customer to the shop, taste and preference etc. This information helps an entrepreneur to understand the market so that he can serve better. 2



CBSE Textbook Questions

Q. 1. Answer each of these questions in about fifteen words

- (i) Name any two institutions involved in Entrepreneurship Development program. **[R]**

Ans. Two institutions involved in Entrepreneurship Development Program:

- (a) National Institute for Entrepreneurship and Small Business Development (NIESBUD)
(b) Indian Institute for Entrepreneurship.
(ii) Who is a Social Entrepreneur? **[R]**

Ans. Social entrepreneurship is a person who combines the passion of a social mission with an image of business-like discipline, innovation, and determination. He aims for value in the form of large-scale, transformational benefit that accrues either to a significant segment of society or to society at large.

- (iii) What are Insurable risks? **[R]**

Ans. Risks which may affect the business directly or indirectly but can be covered through different types of insurance policies are called insurable risks. Risks which can be covered are loss by fire, loss by theft, loss by riots, etc.

- (iv) What are non-insurable risks? **[R]**

Ans. Non-insurable risks may affect the business directly or indirectly but cannot be covered. These risks are; fluctuation in demand and price, government policies, business environmental factors, etc.

- (v) What is Economic Barrier? **[R]**

Ans. A business may face problem due to the economic barriers such as change in demand for the product, change in price, change in taste and preferences and income of the customers.

- (v) Differentiate between social entrepreneurship and entrepreneurship. **[R]**

Ans. Difference between Social entrepreneurship and entrepreneurship:

Basis	Social Entrepreneurship	Entrepreneurship
Objective	Main objective is to start a program which helps the society.	The main objective is to earn good profit and wealth creation.
Development	Main focus is on the development of society.	Main focus is on the self-development.

Q.3. Answer each of these questions in about 75 words

- (i) What is cloud computing? **[R]**

Ans. Cloud computing is a technique of providing information through a web based application. Instead of storing data at one place in hard drive or local storage device, it is uploaded on a server. The main benefit of cloud computing is that data can be accessed from anywhere through internet.

- (vi) Give an example of a Social Entrepreneur. **[U]**

Ans. Example of a social entrepreneur:

Anshu Gupta founded Goonj (NGO)

Q. 2. Answer each of these questions in about fifty words

- (i) What is Business Incubation? **[R]**

Ans. Business incubation is a unique and highly flexible combination of business development processes, infrastructure and people designed to nurture new and small business firms by helping them to survive and grow through the difficult and vulnerable early stages of development.

- [R]** (ii) Explain Business Intelligence. **[R]**

Ans. Business intelligence means ability of a business firm to collect, maintain and organise business data which helps in developing new opportunities. Business intelligence helps in growth and development of a business firm in a competitive market.

- [R]** (iii) List two examples of incubation centres in India **[U]**

Ans. Examples of incubation centres in India:

- (a) NS Raghavan Center for Entrepreneurship Learning (NSRCEL), IIM Bangalore.
(b) Technology Business Incubator, Birla Institute of Technology, Pilani.
(iv) Write about any two innovations which led to entrepreneurial ventures. **[U]**

Ans. Two innovations which led to entrepreneurial ventures:

- (a) Penicillin - Inventor: Sir Alexander Fleming, a scientist
(b) The Pacemaker- Inventor: John Hopps, an electrical engineer

- (ii) How did KFC begin its operations? **[C]**

Ans. KFC was started in year 1930 in USA where a 40 year old Sanders was operating a service station and travellers who stopped there for gas had no food available around. He made his chicken recipe which was liked by the travellers and he started getting regular customers. This is the humble begging of the world famous fast food KFC, i.e., Kentucky Fried Chicken.

- (iii) Explain the various external factors which lead to business risk. R

Ans. External factors which lead to business risk:

- (a) **Economic Factor:** A business may face problem due to the economic barriers such as :

- (1) Change in Demand,
- (2) Change in price,
- (3) Change in taste and preference of customers,
- (4) Change in income status of the customers,
- (5) Increase in the level of competition,
- (6) Unemployment and fluctuation in economy.

- (b) **Natural Factors:** These are the unforeseen natural calamities which are unstoppable:

- (1) Earthquake,
- (2) Flood,
- (3) Famine,
- (4) Lightening,
- (5) Famine.

- (c) **Political Factors:**

- (1) Stability of government,
- (2) Change in government policies,
- (3) Civil war,
- (4) Communal violence,
- (5) Protest and strikes.

- (iv) Enumerate three ways as to how incubators help start-ups get funding? U

Ans. Three ways in which incubators help start-ups get funding:

- (a) Helps in connecting the companies with angel investors.
- (b) Working with companies to perfect venture capital presentations and connecting them to venture capitalists.
- (c) By helping and guiding the companies in applying for loans.

Q. 4. Answer each of these questions in about 150 words :

- Q4 (i) Explain the various internal factors which lead to business risk. R

Ans. Internal factors which lead to business risk:

- (a) **Human Factor :** It is a most important factor which may cause a serious business risk. Due to strikes, lock-outs by trade unions, embezzlement by employees, theft, dishonesty, negligence, accident, death of a worker at workplace, incompetence of the supervisors and managers may cause a serious risk to the business.

- (b) **Technological Factor :** An entrepreneur must keep eye on the latest technology to avoid business risk. If there is some technique which can provide high quality product at low price without effecting the environment then entrepreneur must adopt that technology. Technology may play important role in saving time and wastage of material.

- (c) **Physical factors :** These factors cannot be ignored because they may cause a serious business risk for the entrepreneur. Mainly these risks are failure of machinery and equipment to be used in the process of manufacturing, loss by fire or theft and damage of goods in transit. This type of risk cannot be forecasted by the entrepreneur.

- (ii) Explain in detail the Personal Barriers. R

Ans. Personal barriers are :

- (a) **Perceptual:** Somehow entrepreneur can handle all internal and external factors but personal barriers can hamper the progress of an entrepreneur as well as of enterprise. He should have a clear vision and understanding of a situation otherwise it can result in a faulty perception.

- (b) **Motivational :** Self-motivation is essential for an entrepreneur to keep himself on track. Sometimes an entrepreneur is enthusiastic in the beginning and lose interest in between which may cause a serious business risk.

- (iii) Explain

- (a) **Smart Mobility,**

- (b) **Information Collection as new business forms.** U

Ans.(a) Smart Mobility : Smart Mobility means use of smart devices which help the business people in interacting in a better way. These devices help in the fast growth and development of the business. In last 5 years sales of smart phones overtook the sale of personal computers for the first time. New technology is making business better and better time to time.

- (b) **Information Collection as new business forms:** An entrepreneur should have proper knowledge and information about the customers. To run a business successfully, it is important to attract the customer.

Most of the entrepreneurs are successful because they keep track of the customers which help them in understanding their taste and preference so that entrepreneur can serve them better.

Q. 5. Answer each of these questions in about 250 words

- Q5 (i) Enumerate the characteristics of social entrepreneurs. R

Ans. Characteristics of social entrepreneurs:

- (a) **Social Catalysts :** Entrepreneurs are called social catalysts because they bring positive change in society by reforming social systems and creating sustainable improvements. They are bringing revolution and appropriate changes in field of education, health care, social awareness and values, arts and other social fields.

- (b) **Socially aware:** The main focus of a social entrepreneur is on social improvement instead of making profits and creating wealth. An entrepreneur is successful or not will be measured

by the social impact he has made and not by the profit he has earned.

- (c) **Opportunity seeker** : Entrepreneurs are good in opportunity seeker because they can convert any problem into an opportunity.
- (d) **Innovative and Creative**: Entrepreneurs are very innovative and creative through which they apply their ideas to new situations. They strive for success unless they turn an opportunity into a successful venture.
- (e) **Resourceful**: They may have limited sources but their vision is not limited by the resources. They know how to make best use of existing resources without wasting them.
- (f) **Accountable**: Entrepreneurs are accountable and responsible. They believe in creating value and understanding the needs of the customers. They are also accountable to the investors and try to pay them good return on their investments.
- (ii) **Explain in detail three new forms of business which is created because of technological changes.** R

Ans. Three new forms:

- (a) **Information Collection as new business forms**: An entrepreneur should have proper knowledge and information about the customers. To run a business successfully, it is important to attract the customer.
Most of the entrepreneurs are successful because they keep track of the customers which help them in understanding their taste and preference so that entrepreneur can serve them better.
- (b) **Business Intelligence as new business forms**: Business intelligence means ability of a business firm to collect, maintain and organise business data which helps in developing new opportunities. Business intelligence helps in growth and development of a business firm in a competitive market.
- (c) **Smart Mobility as new business forms**: Smart Mobility means use of smart devices which help the business people in interacting in a better

way. These devices help in the fast growth and development of the business. In last 5 years sales of smart phones overtook the sale of personal computers for the first time. New technology is making business better and better time to time.

- (iii) **Explain 'Barriers to Entrepreneurship'.** R

Ans. Barriers to Entrepreneurship :

Environmental Barriers:

- (a) **Economic Barrier** : A business may face problem due to the economic barriers such as :
- (1) Change in demand,
 - (2) Change in price,
 - (3) Change in taste and preference of customers,
 - (4) Change in income status of the customers,
 - (5) Increase in the level of competition,
 - (6) Unemployment and fluctuation in economy.
- (b) **Natural Barriers** : These are the unforeseen natural calamities which are unstoppable :
- (1) Earthquake,
 - (2) Flood,
 - (3) Famine,
 - (4) Lightening,
 - (5) Famine.
- (c) **Political Barriers** :
- (1) Stability of government,
 - (2) Change in government policies,
 - (3) Civil war,
 - (4) Communal violence,
 - (5) Protest and strikes.

Personal barriers are :

- (a) **Perceptual**: Somehow entrepreneur can handle all internal and external factors but personal barriers can hamper the progress of an entrepreneur as well as of enterprise. He should have a clear vision and understanding of a situation otherwise it can result in a faulty perception.
- (b) **Motivational** : Self-motivation is essential for an entrepreneur to keep himself on track. Sometimes an entrepreneur is enthusiastic in the beginning and lose interest in between which may cause a serious business risk.



High Order Thinking Skills (HOTS) Questions

Q. 6. Application based exercise:

Explain the success story of Lijjat Papad.

Ans. (i) Lijjat (Shri Mahila Griha Udyog Lijjat Papad) was started in 1959 by seven Gujarati women with a loan of ₹ 80 from Chhaganlal Karamsi Parekh. They were interested in starting a venture to create a sustainable livelihood using the only skill they had, i.e., cooking.

(ii) They took over papad making venture which was running in loss owned by Laxmidas Bhai. They built up required infrastructure and arranged necessary ingredients required to manufacture papads. Within three months there were about twenty five women making papads.

(iii) Lijjat is primarily a cottage industry, urban by its origin, which has spread to the rural areas. It is considered as one of the most remarkable

entrepreneurial initiatives by women that is identified with female empowerment in India. For younger girls minimum age of entry was fixed (eighteen) to join the Lijjaat.

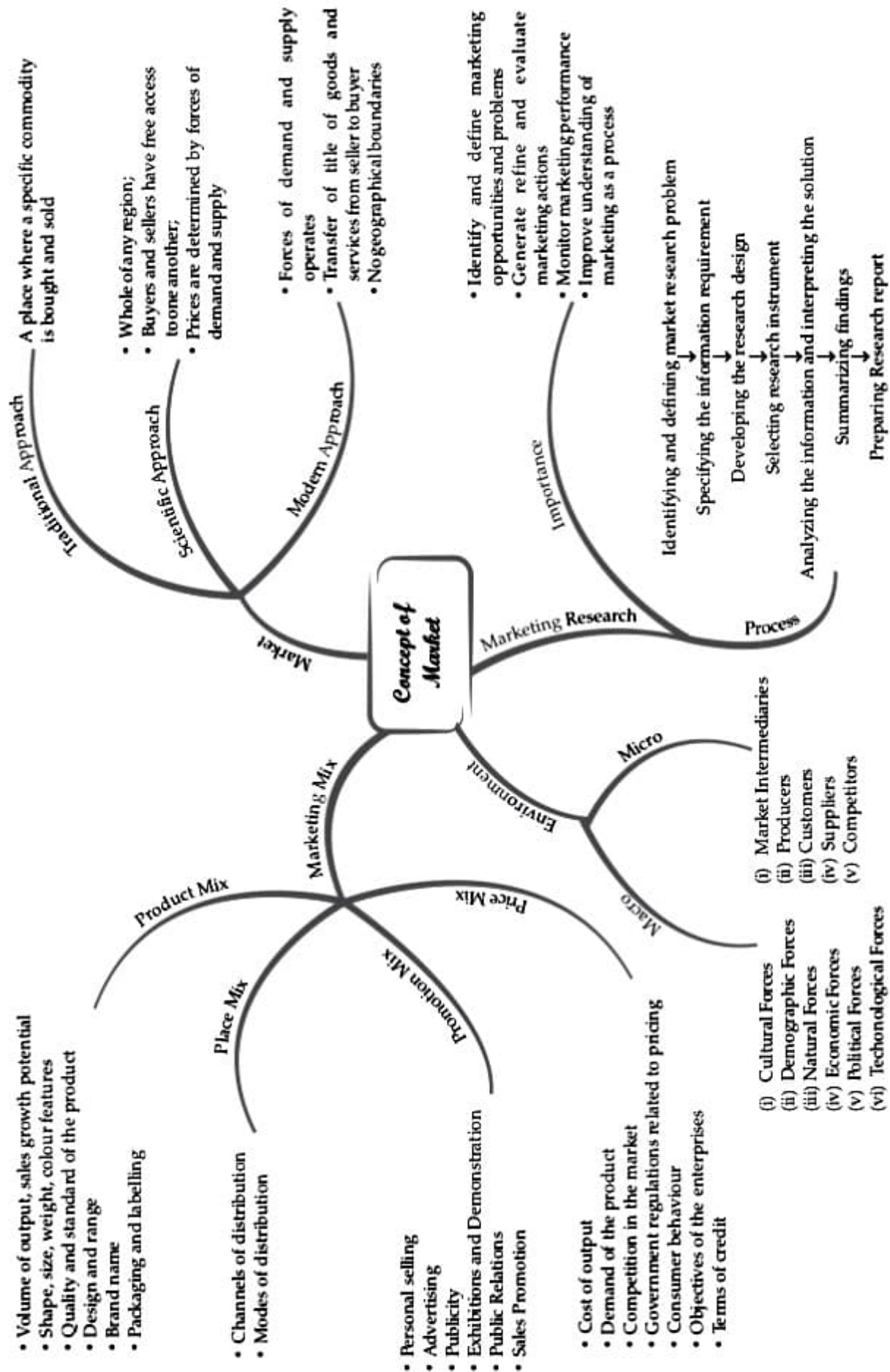
- (iv) In the first year of production they had to stop for almost four months due to rainy season as the rain would prevent the drying of the papads. To tackle with this problem, next year they bought cot and stove so that the process of drying could take place in a comfortable manner.

- (v) The good thing is that profit is shared among all members.

- (vi) Lijjat has an annual turnover of around ₹ 6.50 billion (over 100 million USD) in 2010, with ₹ 290 million in exports.

- (vii) Today it provides employment to around 45,000 people.





CHAPTER

5

CONCEPT OF MARKET

Syllabus

Contents

- *Market - Concept and Types*
- *Micro and Macro Market Environment*
- *Market Research - Concept, Importance and Process*
- *Marketing Mix*

Learning Outcomes

- *After going through this unit, the student/ learner would be able to:*
- *Scan the market environment.*
- *Learn how to conduct market research.*
- *Understand the elements of marketing mix.*



TOPIC-1 Market & Market Research

Revision Notes

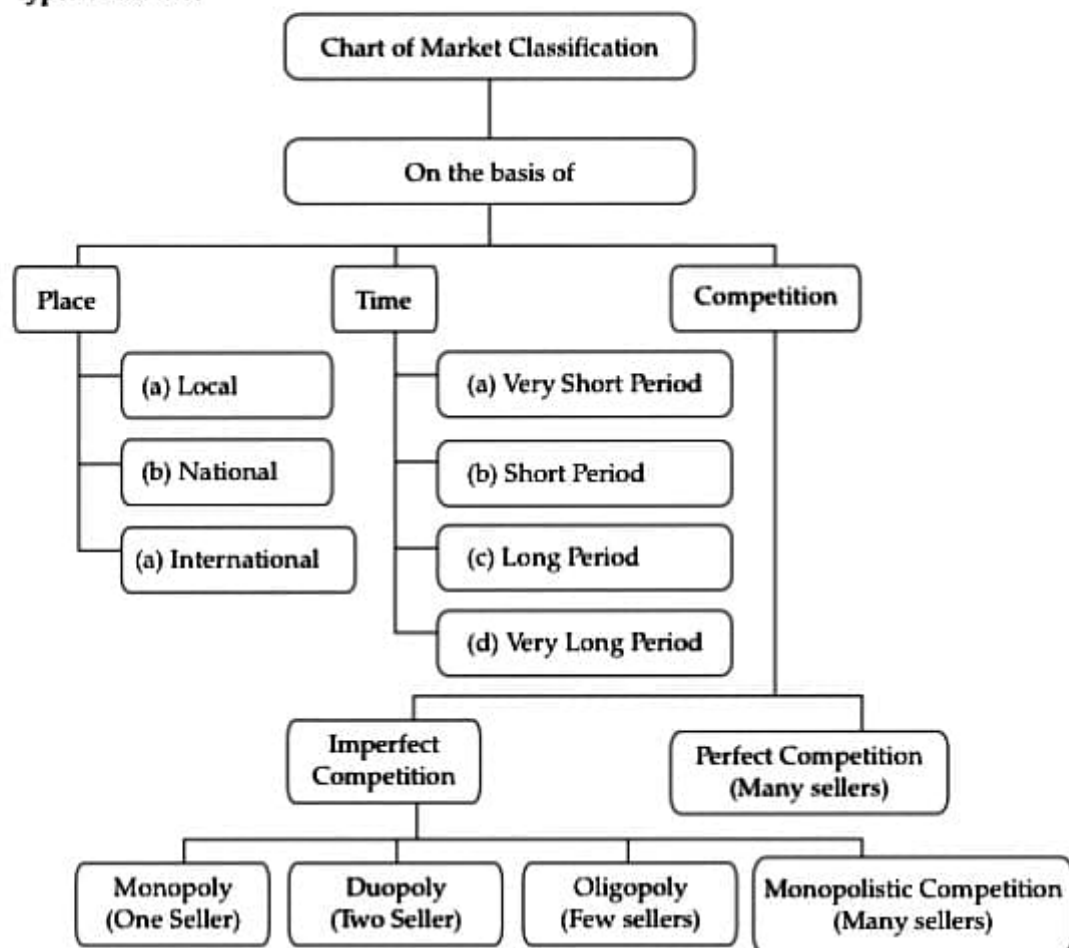
- In the traditional sense, the term 'market' refers to the place where buyers and sellers gather to enter into transactions involving the exchange of goods and services.
- But in modern marketing sense, the term market has a broader meaning. It refers to a set of actual and potential buyers of a product or service.
- Market is a set up where two or more parties engage in exchange of goods, services and information. Ideally a market is a actual or nominal place where two or more parties are involved in buying and selling.

TOPIC - 1

Market & Market Research P. 61

TOPIC - 2

Marketing Mix P. 66

➤ **Types of Market:**

Scan to know
more about
this topic



Types of
Market

➤ **Generally, the market is classified on the basis of:**

- (i) Place,
- (ii) Time, and
- (iii) Competition.

➤ **On the basis of Place, the market is classified into:**

- (i) Local Market or Regional Market.
- (ii) National Market or Countrywide Market.
- (iii) International Market or Global Market.

➤ **On the basis of Time, the market is classified into:**

- (i) Very Short Period Market.
- (ii) Short Period Market.
- (iii) Long Period Market.
- (iv) Very Long Period Market.

➤ **On the basis of Competition, the market is classified into:**

- (i) Perfectly Competitive Market Structure.
- (ii) Imperfectly Competitive Market Structure.

➤ **Concept of Market :**

- (i) Traditional Concept
- (ii) Modern concept
- (iii) Scientific concept
- (iv) Emerging/ e-commerce concept

➤ **Marketing Research:** The term marketing research is used extensively in modern marketing management. It acts as a tool for accurate decision making as regards marketing of goods and services. It is also useful for studying and solving different marketing problems in a systematic and rational manner.

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more about
this topic



Market Research

- According to American Marketing Association (AMA), MR is "The systematic gathering, recording, and analyzing of data about problems relating to the marketing of goods and services."
- According to *Richard D. Crisp*, Market Research is "The systematic, objective and exhaustive search for and study of the facts relevant to any problem in the field of marketing."
- According to *Philip Kotler*, "Marketing research is systematic problem analysis, model building and fact-finding for the purpose of improved decision-making and control in the marketing of goods and services."
- **Importance of market research:**
 - (i) Identifying problem and opportunities in the market
 - (ii) Formulating market strategies
 - (iii) Determining consumer needs and wants
 - (iv) For effective communication mix
 - (v) Improving selling activities
 - (vi) For sales forecasting
 - (vii) To revitalize brands
 - (viii) To facilitate smooth introduction of new products
 - (ix) Managerial decision-making
 - (x) Determine export potentials
- **Process of market research :**
 - (i) Identification and Defining the Problem
 - (ii) Statement of Research Objectives
 - (iii) Planning the Research Design or Designing the Research Study
 - (iv) Planning the Sample
 - (v) Data Collection
 - (vi) Data Processing and Analysis
 - (vii) Formulating Conclusion, Preparing and Presenting the Report



Know the Terms

- **Customers :** A customer is an individual or business that purchases the goods or services produced by a business.
- **Internal Environment :** Internal Environment refers to the forces operating in the market that are close or within the organization. In an enterprise, internal environment affects the ability to serve its customers directly.
- **Micro Environment :** Micro Environment involves those factors which are affecting the business directly or indirectly. Factors that affecting business environment are:
 - (i) Intermediaries
 - (ii) Suppliers
 - (iii) Competitors
 - (iv) Customers
- **Business Model :** A Business Model refers to the conceptual structure that supports the viability of a product and the business firm. It includes the objectives of the firm and how it intends to achieve them.



Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

1. Modern business is facing global competition due to _____. U
2. Markets are people with _____ to spend and desire to spend it. R
3. _____ is conduct of industry, trade and commerce using the computer networks. R
4. _____ allows quick response to the queries and doubts of customers. U

5. _____ are such factors in the micro environment that provide similar offerings for goods and services. U

Ans. 1. Globalization, 2. Money, 3. E-business, 4. E-business, 5. Competitors.

(B) State whether the following statements are True or False:

1. Macro environment includes marketing intermediaries. AE

2. Competitors are the part of micro environment. **AE**
 3. Forces that comprises macro environment are secondary forces. **U**

Ans. 1. False, 2. True, 3. True.

(C) Multiple Choice Questions:

1. Market research is a process involving various steps. First five steps are given below. Arrange the steps in correct order. **U**

- (i) Defining the marketing problem
 (ii) Specifying the information requirement
 (iii) Developing the research design
 (iv) Collecting information
 (v) Analyzing the information and interpreting it.

- (a) (i), (ii), (iii), (iv), (v)
 (b) (i), (ii), (iv), (iii), (v)
 (c) (i), (iii), (ii), (iv), (v)
 (d) (i), (iii), (iv), (ii), (v)

Ans. (a) (i), (ii), (iii), (iv), (v)

- 81** 2. Market survey is a process involving various steps. Arrange the steps in correct order. **U**

- (i) Planning the Survey
 (ii) Report Making
 (iii) Analysis and Interpretation of Data
 (iv) Field Work

- (a) (i), (iv), (iii), (ii)
 (b) (i), (ii), (iii), (iv)
 (c) (i), (ii), (iv), (iii)
 (d) (iv), (i), (iii), (ii)

Ans. (a) (i), (iv), (iii), (ii)

3. Through _____ an entrepreneur comes to know about the tastes and preferences of the people and their needs. **U**

- (a) Market research
 (b) Business planning
 (c) Idea generation
 (d) Innovation

Ans. (a) Market research

Short Answer Type Questions-I

(2 marks each)

- Q. 1.** How stakeholders and customers can be different for a business firm? **U**

Ans. Stakeholders mean a person or group of people who own a share in a business. Stakeholders' i.e. Employee, customer, or citizen who is involved with an organization, society, etc. and therefore has responsibilities towards it and an interest in its success.

A customer is an individual or business that purchases the goods or services produced by a business. **2**

- Q. 2.** What is a business model? **U**

Ans. A Business Model is a conceptual structure that supports the viability of a product or company and explains how the company operates, makes money, and how it intends to achieve its goals. All the business processes and policies that a company adopts and follows are part of the business model.

According to Peter Drucker, "a business model is supposed to answer who your customer is, what value you can create/add for the customer and how you can do that at reasonable costs". **2**

Long Answer Type Questions-I

(4 marks each)

- Q. 1.** Give four points of difference between the Traditional concept of Market and Modern concept of Markets. **U**

Traditional Concept	Modern Concept
This concept starts with the product or output which is produced in factories.	This concept starts with target market selection and finding the needs and wants of the target market so selected.
It stresses upon the product of the manufacturer.	It stresses upon the needs and wants of the consumer.
The objective of marketing under traditional concept is maximizing profit by maximizing sales.	The objective of marketing under modern concept is profit, but through consumer satisfaction.
Traditional concept includes production concept, product concept and selling concept.	Modern concept includes consumer oriented philosophy, societal oriented philosophy.

- Q. 2.** How to develop a Business Model? **U**

Ans. To develop an effective business model for your company, draw a picture that establishes a structure so your employees can produce products or services for customers in a profitable way. A business model typically includes a description of your customers, how customers use your product,

how you distribute your product and details about how you promote your business. The model also describes key operational tasks, staffing and other resource requirements as well as details about how business is conducted. A business model describes your business using visual images, typically on a single page, while a business plan describes your business in a lengthier document. **4**



Long Answer Type Questions-II

(6 marks each)

Q. 1. Explain the process of Market Research. [U]

Ans. The various stages or steps in the marketing research process are discussed below:

(i) Identification and Defining the Problem :

The market research process begins with the identification "of a problem faced by the company. The clear-cut statement of problem may not be possible at the very outset of research process because often only the symptoms of the problems are apparent at that stage. Then, after some explanatory research, clear definition of the problem is of crucial importance in marketing research because such research is a costly process involving time, energy and money.

Clear definition of the problem helps the researcher in all subsequent research efforts including setting of proper research objectives, the determination of the techniques to be used, and the extent of information to be collected.

(ii) Statement of Research Objectives :

After identifying and defining the problem with or without explanatory research, the researcher must take a formal statement of research objectives. Such objectives may be stated in qualitative or quantitative terms and expressed as research questions, statement or hypothesis. For example, the research objective, "To find out the extent to which sales promotion schemes affected the sales volume" is a research objective expressed as a statement.

(iii) Planning the Research Design or Designing the Research Study:

After defining the research problem and deciding the objectives, the research design must be developed. A research design is a master plan specifying the procedure for collecting and analysing the needed information. It represents a framework for the research plan of action.

The objectives of the study are included in the research design to ensure that data collected are relevant to the objectives. At this stage, the researcher should also determine the type of sources of information needed, the data collection method (e.g., survey or interview), the sampling, methodology, and the timing and possible costs of research.

(iv) Planning the Sample:

Sampling involves procedures that use a small number of items or parts of the 'population' to make conclusion regarding the 'population'. Important questions in this regard are— who is to

be sampled as a rightly representative lot? Which is the target 'population'? What should be the sample size—how large or how small? How to select the various units to make up the sample?

(v) Data Collection :

The collection of data relates to the gathering of facts to be used in solving the problem. Hence, methods of market research are essentially methods of data collection. Data can be secondary, i.e., collected from concerned reports, magazines and other periodicals, especially written articles, government publications, company publications, books, etc.

(vi) Data Processing and Analysis :

Once data have been collected, these have to be converted into a format that will suggest answers to the initially identified and defined problem. Data processing begins with the editing of data and its coding. Editing involves inspecting the data-collection forms for omission, legibility, and consistency in classification. Before tabulation, responses need to be classified into meaningful categories.

(vii) Formulating Conclusion, Preparing and Presenting the Report :

The final stage in the marketing research process is that of interpreting the information and drawing conclusion for use in managerial decision. The research report should clearly and effectively communicate the research findings and need not include complicated statement about the technical aspect of the study and research methods. 6

Q. 2. Briefly discuss the importance of market research. [U]

Ans. The following points explain the need for or importance of marketing research:

(i) Identifying problem and opportunities in the market :

It helps in identifying new market opportunities for existing and new products. It provides information on market share, nature of competition, customer satisfaction levels, sales performances and channel of distribution. This helps the firms in solving problems.

(ii) Formulating Market strategies :

Today, markets are no more local. They have become global. Manufacturers find it difficult to contact customers and control distribution

channels. Competition is equally severe. The consumer needs are difficult to predict. Market segmentation is a complicated task in such wide markets. The marketing intelligence provided through marketing research not only helps in framing but also in implementing the market strategies.

(iii) Determining consumer needs and wants :

Marketing has become customer-centric. However, large-scale production needs intermediaries for mass distribution. Due to prevalence of multi channels of distribution, there is an information gap. Marketing research helps in collecting information on consumers from structured distribution research and helps in making marketing customer oriented.

(iv) For effective communication mix :

In an era of micro- rather than mass-marketing, communication plays a vital role. Marketing research uses promotional research to study media mix, advertising effectiveness and integrated communication tools. Research on such aspects will help in promoting effectively a company's product in the market.

(v) Improving selling activities :

Marketing research is used to analysis and evaluate performances of a company within a market. It also studies effectiveness of a sales force. It helps in identifying sales territories. Such information helps the companies in identifying areas of shortcoming in sales. It also examines alternative methods for distribution of goods.

(vi) For sales forecasting :

The most challenging task for any production manager is to keep optimum levels of inventory. However, production is undertaken in anticipation of demand. Therefore, scientific forecast of sales

is required. Marketing research helps in sales forecasting by using market share method, sales force estimate method and jury method. This can also help in fixing sales quotas and marketing plans.

(vii) To revitalize brands :

Marketing research is used to study and find out the existing brand position. It finds out the recall value of brands. It explores the possibilities of brand extension or prospects of changing existing brand names. The main purpose of marketing is to create brand loyalty. Marketing research helps in developing techniques to popularize and retain brand loyalty.

(viii) To facilitate smooth introduction of new products :

Marketing research helps in testing the new products in one or two markets on a small scale. This helps in finding out consumer response to new product and develop a suitable marketing mix. It reveals the problems of the customers regarding new products. Thus, it controls the risk involved in introducing a new product.

(ix) Determine export potentials :

Marketing research helps in conducting market survey for export. It collects information on marketing environment prevailing in a country. By collecting data on consumers from different countries, it indicates export potentials.

(x) Managerial decision-making :

Marketing research plays a vital role in the decision-making processes by supplying relevant, up-to-date and accurate data to the decision-makers. Managers need up-to-date information to access customer needs and wants, market situation, technological change and extent of competition.

(Any six) 6



TOPIC-2 Marketing Mix

Revision Notes

- Marketing mix is the process of designing and integrating various elements of marketing in such a way to ensure the achievement of enterprise objectives.
- According to W. J. Stanton, "Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system: the product, the price structure, the promotional activities, and the distribution system."

Scan to know
more about
this topic

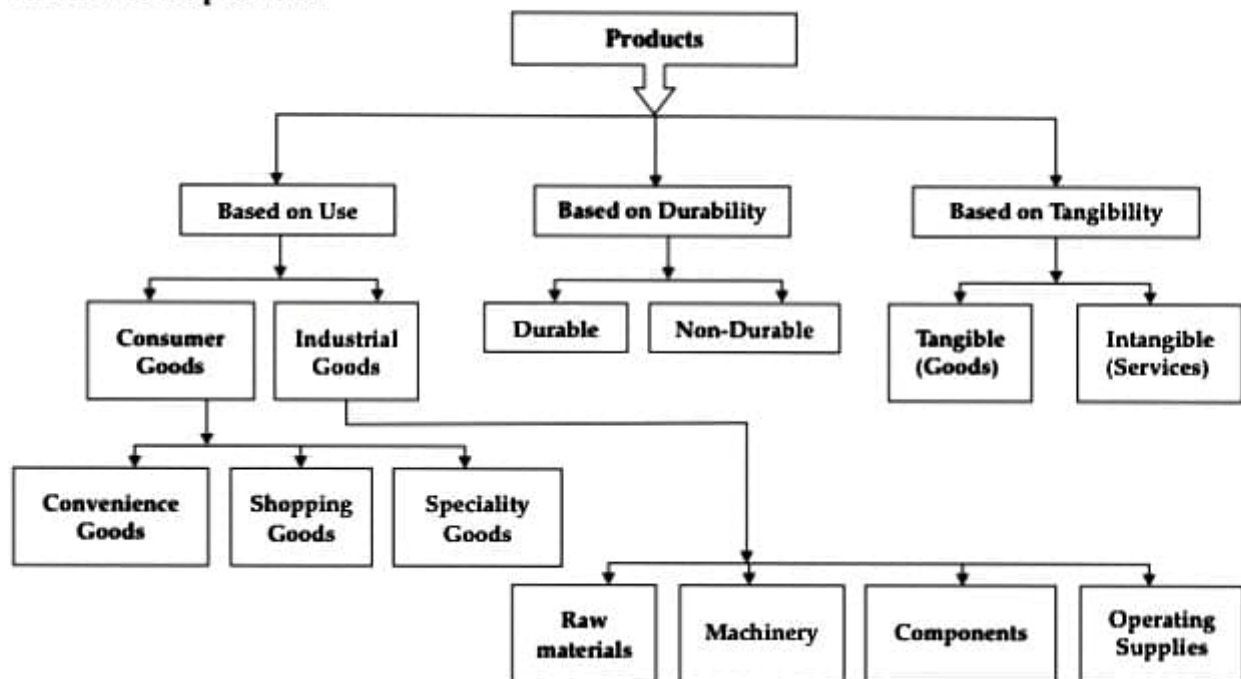


Concept of
Marketing Mix

- The marketing mix consists of various variables, which have broadly been classified into four categories, popularly known as four Ps of marketing. These are: (i) Product, (ii) Price, (iii) Place, and (iv) Promotion.



- **Product:** Product means goods or services or 'anything of value', which is offered to the market for exchange.
- **Classification of products :**



- **Important decisions related to a product include :**

Branding : It is a process of giving a name, or a sign or a symbol to a used product.

Brand : It is a name, term, sign, symbol, design or any combination used to differentiate product from its competitors. Its components are :

- (i) **Brand name :** Verbal component of a brand.
- (ii) **Brand mark :** Recognized in the form of symbol, colour, etc. but non-utterable.
- (iii) **Trade mark :** Legally registered brand or part of the brand.

- A good brand name should be easy to pronounce, suggestive, distinctive, flexible, versatile, legally registered and permanent.

- **Packaging :** It is an art of designing and producing the container or the wrapper of a product.

- **Levels of packaging :**

- (i) **Primary package :** It refers to product's immediate container.
- (i) **Secondary package :** It refers to an additional layer of protection, kept till product is ready to use.
- (i) **Transportation package :** It refers to further packaging components necessary for storage and transportation of the product.

- **Functions of Packaging :**

- (i) Product identification.
- (ii) Product protection.

- (iii) Convenient use of a product.
- (iv) Product promotion.
- **Labelling** : It is a process of putting/designing labels on the product.
- **Label** : It may be a small slip or printed statement that conveys information like nature, content, ownership, price, etc. about the product to the consumers.
- **Functions of Labelling** :
 - (i) Describe the product and its components.
 - (ii) Identify the product or the brand.
 - (iii) Helps in grading of the products.
 - (iv) Helps in promotion of the products.
 - (v) Provides information required by the law.
- **Price** : Price is the amount of money customers have to pay to obtain the product.
- **Factors affecting price determination** :
 - (i) Product cost.
 - (ii) Utility and demand.
 - (iii) Competition.
 - (iv) Government regulation.
 - (v) Pricing objectives.
 - (vi) Marketing methods used.
- **Place** : Place or Physical Distribution include activities that make firm's products available to the target customers.
- **Channels of Distribution** : Distribution channels consist of intermediaries such as —retailers, wholesalers and distributors through which goods pass on from manufacturers to the customers.
- **Types of channels** :
 - (i) Direct channel (zero level) : Manufacturer – Consumer
 - (ii) Indirect channel
 - (a) One level : Manufacturer – Retailer – Consumer
 - (b) Two level : Manufacturer – Wholesaler – Retailer – Consumer
 - (c) Three level : Manufacturer – Agent –Wholesaler – Retailer – Consumer
- **Factors Determining the choice of Channels** :
 - (i) Product Related Factors
 - (ii) Company characteristics
 - (iii) Competitive factors
 - (iv) Market factors
 - (v) Environmental factors
- **Components of a physical distribution** :
 - (i) Order processing
 - (ii) Transportation
 - (iii) Warehousing
 - (iv) Inventory control
- **Promotion** : Promotion of products and services include activities that communicate availability, features, merits, etc. of the products to the target customers and persuade them to buy it.
- **Elements of a Promotion Mix** :
 - (i) Advertising, (ii) Personal selling, (iii) Sales Promotion, (iv) Public Relations
- **Advertising** : It is an impersonal form of communication which is paid for by the marketers to promote some goods or services.
- **Merits of advertising** :
 - (i) Mass reach
 - (ii) Enhance customer satisfaction and confidence
 - (iii) Expressiveness
- **Objections to Advertising** :
 - (i) Adds to cost
 - (ii) Undermines social values

- (iii) Confuses the buyers
- (iv) Encourages sales of inferior products
- (v) Some advertisements are in bad taste
- **Personal Selling** : It involves face-to-face contact between seller and the prospective customer for effecting a sale.
- **Merits of Personal Selling** :
 - (i) Flexibility
 - (ii) Direct feedback
 - (iii) Minimum wastage
- **Qualities of a good salesman** :
 - (i) Physical qualities
 - (ii) Psychological qualities
 - (iii) Technical qualities
 - (iv) Good communication skills
 - (v) Honesty
 - (vi) Courtesy
 - (vii) Persistence
- **Sales Promotion** : It refers to short-term incentives, offered to encourage immediate sale of the product.
- **Merits of Sales Promotion** :
 - (i) Attention value
 - (ii) Useful in a new product launch
 - (iii) Synergy in total promotional efforts
- **Limitations of Sales Promotion** :
 - (i) Reflects crisis
 - (ii) Spoils product image
- **Sales promotion techniques** :
 - (i) Rebate
 - (ii) Discount
 - (iii) Refunds
 - (iv) Product combination
 - (v) Quantity gift
 - (vi) Instant draws and assigned gifts
 - (vii) Lucky draw
 - (viii) Usable benefits
 - (ix) Full finance
 - (x) Sampling
 - (xi) Contests
- **Public Relations** : It involves activities required to promote and protect the image of a company or its product.
- **Role of Public Relations** :
 - (i) Smooth functioning of a business
 - (ii) Building the corporate image
 - (iii) Facilitating launch of a new product
 - (iv) Supplementing to promote the existing products
 - (v) Counselling
 - (vi) Press Relations
 - (vii) Product Publicity
 - (viii) Lobbying
 - (ix) Satisfying interest of different public groups
 - (x) Stimulating sales force
 - (xi) Building credibility
 - (xii) Lowering promotion costs



➤ **Tools of Public Relations :**

- (i) Press releases.
- (ii) Press kits.
- (iii) Brochures.
- (iv) Newsletters.
- (v) Annual reports.
- (vi) Conferences and Seminars

Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

- _____ is a part on the cover of the product which will devote its name, contents, ownership, expiry date, manufacturing date etc. R
-  A T.V. manufacturing company is spending substantial amount of money to persuade the target customers to buy its T.V. sets through advertisements, personal selling and sales promotion techniques. _____ element of marketing mix being referred here. A
-  Maruti Udyog, a car manufacturing company, started its business with Maruti 800 and slowly launched Omni, Maruti Gypsy, Wagon R, Grand Vitara, etc. and offered various after sale services, availability of spare parts, etc. Identify the element of marketing mix referred is _____. A

Ans. 1. Label, 2. Promotion mix, 3. Product Mix.**(B) State whether the following statements are True or False:**

- The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. R
- A product means something more than a physical commodity. R
- 'The Share a Coke campaign began in Australia in 2011, when Coca-Cola personalized each bottle with the 150 most popular names in the country. Since then, the U.S. has followed suit, printing first names across the front of its bottles and cans in Coke's branded font. One can even order custom bottles on Coke's website to request things like nicknames and college logos.'
The element of promotion mix stated in the above paragraph is Advertising. A

Ans. 1. True, 2. True, 3. True.**(C) Multiple Choice Questions:**

- A FMCG company is offering a number of consumer products like packaged foods, beverages, toiletries, dry goods, cosmetics, etc. Identify the element of marketing mix being referred here : A
 - (a) Product mix
 - (b) Place mix
 - (c) Promotion mix
 - (d) Price mix

Ans. (a) Product mix

- Areeba Hotel in Agra was facing a problem of low demand for its rooms due to the off-season. The Managing Director (MD) of the hotel, Mrs. Shambhavi was very worried. She called upon the Marketing Manager, Mr. Shukla for his advice. He suggested, that the hotel should announce an offer of '3 Days and 2 Nights hotel stay package with free breakfast and one day religious visit to Omkareshwar and Mahakaleshwar Temples'. The MD liked the suggestion very much. Identify the element of marketing mix being referred here. A

- (a) Product mix
- (b) Place mix
- (c) Promotion mix
- (d) Price mix

Ans. (c) Promotion mix

- "Every time I travelled, people asked me to bring them chips, khakra and pickles from all over the country," says Anoushka. Finally, she and her colleague, Sumeet, decided to make a business out of it. They launched a facebook page, asked people what they wanted, and they came up with a list of about 100 places and tied up with two dozen vendors to begin with. They were servicing people from Jaipur who wanted spices from Kerala, people from Panipat who wanted halwa from Jammu and people from Delhi who ordered for fresh tea leaves from Darjeeling. Through their business they wished to bridge the gap between sellers and buyers. The business is now worth millions. Out of the following, identify the element of marketing mix stated above. A

- (a) Product mix
- (b) Place mix
- (c) Promotion mix
- (d) Price mix

Ans. (b) Place mix

- PNJ is the leader in the jewellery industry thanks to the development of its store chain across 45 provinces. The number of PNJ's stores now reaches 220 stores, across all 45 provinces. This number of stores is higher than most of its rivals. Out of the following identify the element of marketing mix stated above : A

- (a) Product mix
- (b) Place mix

(c) Promotion mix

(d) Price mix

Ans. (b) Place mix

5. Moca, beverages manufacturing company, runs all its operations globally and, this process it done through various local channels. The Company manufactures and sells concentrates, beverage bases and syrups to bottling operators. It still however, owns the brand and is responsible for consumer brand marketing initiative. The

bottling partners manufacture, package and distribute the final branded beverages to vending partners, who then sell products to consumers. Identify the channel of distribution used by Moca :

- (a) One level channel
(b) Two level channel
(c) Three level channel
(d) None of the above

Ans. (b) Two level channel

Short Answer Type Questions-I

(2 marks each)

Q. 1. State any four factors affecting price of a product. [R]

Ans. Factors affecting the price of a product :

- (i) Product Cost
(ii) Utility and Demand
(iii) Extent of competition in the market
(iv) Government and Legal Regulations. 2

Q. 2. Give any two merits of Advertising. [R]

Ans. (a) Advertising enhances customer satisfaction and confidence, as they feel more comfortable and assured about the product quality and hence feel more satisfied.

- (b) Advertising is a very economical mode of communication if a large number of people are to be reached. 2

Q. 3. What are Durable products? [U]

Ans. Those tangible consumer products which normally survive many uses, for example, refrigerator, radio, bicycle, sewing machine and kitchen gadgets are referred to as durable products. These goods are generally used for a longer period, command a higher per unit margin, require greater personal-selling efforts, guarantees and after sales services, on the part of the seller. 2

Q. 4. What is a Brand name? [U]

Ans. That part of a brand, which can be spoken, is called a brand name. In other words, brand name is the verbal component of a brand. For example, Asian Paints, Safola, Maggie, Lifebuoy, Dunlop, and Uncle Chips are the brand names. 2

Short Answer Type Questions-II

(3 marks each)

Q. 1. Explain the various levels of packaging. [U]

Ans. There are three levels of packaging. These are :

- (i) **Primary Package** : It refers to immediate packing of product. E.g., tube of ointment.
(ii) **Secondary Package** : It refers to additional packaging which gives protection to the product. E.g., cardboard box used to keep ointment tube. Such containers and boxes are dispensed units where we start using the inside material from the primary package.
(iii) **Transportation Packaging or Final Packaging** : It refers to further packaging components necessary for storage or transportation. E.g., boxes of ointments are transported in corrugated boxes each containing 50/100 items. 3

Q. 2. What is meant by 'Packaging'? State any four functions of packaging. [U]

Ans. Packaging refers to the act of designing and producing the container or wrapper of a product.

Functions of packaging :

- (i) It helps in the product identification.
(ii) It helps in the protection of the product from spoilage, breakage, leakage, damage, etc.

(iii) It facilitates the use of the product to the consumers through appropriate sizes and shapes.

(iv) It helps in the promotion of the product as a good package attracts the attention of the people at the time of purchase.

(v) It helps in preventing adulteration as the product is properly packed. (Any four) 3

Q. 3. Explain any three sales promotion techniques with an example of each. [U]

Ans. The commonly used sales promotion techniques are :

(i) **Rebate** : Offering products at special prices, to clear off excess inventory is known as rebate.

(ii) **Discounts** : These are like price promotions in which certain percentage of the price is reduced by some percentage as discount from the listed price. For example, discounts of up to 50% by Koutons.

(iii) **Refunds** : In this case, the seller offers to refund a part of the price paid by the customer on the production of some proof of purchase. For example, refund of ₹ 5 on the presentation of an empty pack of Maggie noodles.

- (iv) **Product Combinations** : The customer is given another product as a free gift along with the purchase of certain goods. For example, gift of microwave oven with the purchase of Burner Hob by Sunflame or a gift of Trolley with the purchase of Inverter by Luminous.
- (v) **Quantity Gifts** : Sometimes sellers devise special package, which gives extra quantity of the product to the buyer at lesser price or at no price. For example, buy two soaps and get one free by LUX.
- (vi) **Instant draws and assigned gifts** : Some gifts are given on the basis of draws or some events. For example, scratch a card and win a gold locket on the purchase of a TV.
- (vii) **Lucky draw** : Some coupons bearing distinct numbers are issued on the purchase of some products. Later, draws are taken and winner is awarded some gifts.
- (viii) **Usable benefits** : Gifts are given to the users of the product. For example, purchase goods worth ₹ 3,000 and get a holiday package worth ₹ 2,000 free.
- (ix) **Finance scheme** : Easy finance scheme is provided to the customer by the marketer at 0% interest rate. It is generally given on durable goods like electronics, automobiles, etc. For example, 24 easy installments.
- (x) **Sampling** : Free samples of a product are offered to the customer. For example, a sachet of detergent powder to potential customers at the time of the launch of a new brand.
- (xi) **Contests** : Competitive events involving application of skills or luck are held. For example, solving a quiz or answering some questions.

(Any three) 3



Long Answer Type Questions-II

(6 marks each)

Q. 1. Explain 'Price' as an element of marketing mix. Also explain any four factors which affect the fixation of price of a product. [U]

Ans. Price is an element of marketing mix which refers to all important decisions relating to the fixation of the price of a product. Some factors that must be taken into consideration are :

- (i) **Production cost** : The price should recover all costs viz. fixed costs, variable costs and semi-variable costs apart from obviously including a fair return for undertaking the marketing effort and risk.
- (ii) **Utility and demand** : While determining the price of any product, the utility provided by it and the intensity of demand should not be ignored. If a buyer is satisfied that the given product meets his/her requirement, he would also be ready to pay the cost and reasonable margin to the producer.
- (iii) **Extent of competition in the market** : In case of monopoly, a firm can enjoy complete freedom in fixing prices. However, if it is facing competition, it should consider the prices charged by the competitors also.
- (iv) **Government and legal regulations** : Government plays an important role in regulating the prices. For example, Life Saving Drugs, etc.
- (v) **Pricing objectives** : Pricing objectives should be in accordance with the company objectives. Also, company's objectives should be clear enough. In addition to profit maximization, pricing objectives may include (a) Obtaining market share leadership (b) Surviving in a competitive market.

(vi) **Marketing methods used** : Pricing of products also gets affected by the elements of marketing such as amount spent on advertisement, type of packaging, discounting policies, credit or finance facilities etc. 6

Q. 2. Explain any four functions of labelling. [U]

Ans. Labelling performs various functions. Its important functions are :

- (i) **Describes the product and Specifies its contents** : Label describes the product, its usage, cautions in its use, and specifies its contents etc. E.g., A popular brand of Prickly Heat Powder, describes how the product provides relief from prickly heat and controls bacterial growth and infection. Label describes the product, its usage, caution in its use and specifies its contents etc.
- (ii) **Product or Brand Identification** : The label identifies the product or the brand. For example, the name stamped on a cold drink identifies it as Pepsi, Coke, Thumbs Up, Fanta, etc.
- (iii) **Grading of products** : The label might also grade the product into different categories, where the differentiation tends to be marginal.
- (iv) **Providing information required by the Law** : It is a carrier of information, which is to be provided to the customer. The label describes the product, the manufacturer, date of manufacture, its contents, directions for use, price, etc.
- (v) **Product Promotion** : A carefully designed label can facilitate product promotion. It attracts attention, describes the product and gives the reason to purchase. Particularly in case of fast moving consumer goods sector (FMCGs), label has become a patent tool of sales promotion.

(Any four) 6

Q. 3. Distinguish between 'Advertising' and 'Personal Selling' on the basis of any six points.

U

Ans. Difference between 'Advertising' and 'Personal selling' :

S. No.	Basis	Advertising	Personal Selling
(i)	Nature	It involves non-personal or indirect communication between the buyer and the seller.	It involves face-to-face interaction between the buyer and the seller.
(ii)	Purpose	It is done to increase product image, enhance sales volumes and fight competition.	It is carried out to provide personalized attention to the customer.
(iii)	Methods	It involves several media such as radio, T.V., newspapers, magazines, etc.	It involves oral presentation and use of gestures by the salesperson.
(iv)	Coverage	It often covers a large number of people in one stroke.	It covers an individual or a small group of people each time.
(v)	Message	It involves a common message for all people covered by the advertising media.	It involves specific message for a buyer. It can be tailored to suit the nature of the buyer.
(vi)	Feedback	It is less flexible. The message can't be changed so quickly.	It is more flexible. The technique of presentation can be changed on the spot.

6

Q. 4. Choice of channels of distribution depends on various factors. Briefly explain factors which affect the choice of the channels of distribution.

U

Ans. Factors affecting choice of channels of distribution :

- Product related factors :** Industrial goods which are technical or complex (made as per order) and are of higher value generally have direct channels. Goods which are standardised, non-complex, non-perishable or low priced are normally sold through indirect channels of distribution.
- Company related factors :** If the financial strength of the company is good and wants to hold on its channel members, it will opt for direct selling. For example, selling through its own retail outlets, mail order selling, etc.
- Market related factors :** The size of the market, geographical concentration of potential buyers and quantity purchased affect the decision of the choice of channel. If the customers are geographically concentrated in a small place or if the order size is large enough, a direct channel of distribution can be used, otherwise indirect channel is opted by the manufacturer.
- Competitive factors :** Choice of channel may be decided by a company either to go with/to be different from its competitors.
- Environmental factors :** Economic conditions and legal constraints also affect the choice of channel.

of distribution. In case of a depressed economy, a company may choose indirect channel to distribute goods in an economical manner.

(Any four) $1\frac{1}{2} \times 4 = 6$

Q. 5. Explain the four important elements of marketing mix.

U

Ans. The four important elements of marketing mix are :

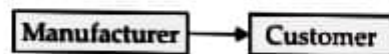
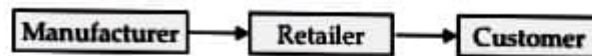
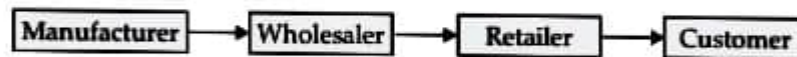
- Product mix, (ii) Price mix, (iii) Place mix and (iv) Promotion mix.
- Product Mix :** Product mix is related to the decisions regarding planning, developing and producing the right type of products and services for the consumers.
It includes branding, labelling, trademark and packaging.
- Price mix :** Price mix involves different pricing methods, pricing strategies, pricing policies and price changes.
- Place mix :** Place or Physical Distribution mix includes activities that make firm's products available to the targeted customers. It consists of all the activities involved in transferring ownership and physical possession of the product to the consumers.
- Promotion mix :** Promotion mix consists of all the activities aimed at persuading customers to buy the product through advertising, personal selling, sales promotion and publicity.

6

Q. 6. Explain the different types of channels of distribution.

U

Ans.

(i) *Direct Channel (zero level)**Indirect Channel*(ii) *One level Channel*(iii) *Two level Channel*(iv) *Three level Channel*

- (i) **Direct Channel (Zero Level)** : The most simple and the shortest mode of distribution is direct distribution, where in the goods are made directly available by the manufacturers to customers, without involving any intermediary. This is also called zero level channel. A straight and direct relationship is established between the manufacturer and the customer.
- (ii) **Indirect Channels** : When a manufacturer employs one or more intermediary to move goods from the point of production to the point of consumption, the distribution network is called indirect. This may take any of the following forms:
- (a) **Manufacturer-Retailer-Consumer (One Level Channel)** : In this form of arrangement one intermediary i.e., retailers is used between the manufacturers and the customers. That is, goods pass from the manufacture to the retailers who, in turn, sell them to the final users. For example, Maruti Udyog sells its cars and vans through company approved retailers. This type of distribution network enables the manufacturers to cover wide area of market while retaining control over the Channels.
- (b) **Manufacturer-Wholesaler-Retailer-Consumer (Two Level Channel)** : This is the most commonly adopted distribution network for most consumer goods like soaps, oils, clothes, rice, sugar and pulses. Here the wholesaler and retailer function as connecting links between the manufacturer and consumer. Use of two middlemen in the channel network enables the manufacturer to cover a larger market area.
- (c) **Manufacturer-Agent-Wholesaler-Retailer-Consumer (Three Level Channel)** : In this case, manufactures use their own selling agents or brokers who connect them with wholesalers and then the retailers. Thus, one more level is added to the levels discussed in the proceeding arrangement. It is done particularly when the manufacturer carries a limited product line and has to cover a wide market. An agent in each major area is appointed, who in turn contact the wholesalers.

Q.7. Explain the role of advertising in marketing Management. 6

Ans. Advertising has become an important tool of modern marketing mix. In the present competitive world, advertising plays a very crucial role in the following manner.

- (i) **Promotion of Sales** : Advertising promotes the sales of goods and services by informing and persuading the buyers to buy them. A good advertising campaign helps in winning customers and generating revenues.
- (ii) **Introduction of a New Product** : It helps in introduction of the new products. A business enterprise can introduce itself and its product to prospective buyers. Advertising enables quick publicity in the market.
- (iii) **Support to Production System** : Advertising facilitates large scale production. The business firm knows that it will be able to sell on a large scale with the help of advertising. Mass production will reduce the per unit cost of production giving benefits of economies of sale to the firm.
- (iv) **Support to other Promotion Tools** : Advertising helps salesmen in their effort to persuade people to buy the product. It removes doubts and encourages consumers to buy the product. It is used to obtain support of dealers and boost sales efforts. It reaches even to those people to whom salesman can't reach.
- (v) **Builds up a Public Image** : It builds up the reputation of the company, creates brand loyalty. Advertising enables a business firm to communicate its achievement and its efforts to satisfy the need of the public.
- (vi) **Helps to Combat Intense Market Competition** : Advertising helps in maintaining demand and creating potential demand for established products, by attracting a new group of customers thus its helps fighting competition and extending the market territories for the established product.

Q.8. Identify and explain the promotional tool of marketing mix which involves oral presentation of message with one or more prospective customers for the purpose of making sales. Also explain any three benefits of this tool in the economic progress of society. 6

Ans. **Personal Selling** : Personal selling is a process of informing customers and persuading

them to purchase products through personal communication. It involves direct face-to-face contact and is a two-way form of communication. Under personal selling, companies appoint sales staff, who contact the prospective buyers to create product awareness and preferences with the aim of making sales. Benefits or importance of personal selling are as follows :

- (i) **Flexibility** : Personal selling is flexible as sales presentation can be adjusted according to the specific needs of the individual customers.
- (ii) **Direct feedback** : In personal selling, direct and immediate feedback from the customer is possible as there is a direct face-to-face communication.

- (iii) **Minimum wastage** : There is minimum wastage of efforts as company pre-decides the targeted customers before making any contact with them.
- (iv) **Effective promotion tool** : Personal Selling is an effective tool to increase the sales of a product. Salesman explains the merits of products to customers.
- (v) **Relationship** : Personal Selling helps to create long and lasting relationship between customers and sellers which helps in increasing sale.
- (vi) **Personal support** : Through personal selling salesman can create personal support with the customers.

6

Q. 9. Explain the elements of Promotion Mix.

[U]

Ans.



Elements of Promotional Mix

- (i) **Advertising** : Advertising is defined as any paid form of non-personal presentation and promotion of ideas, goods, and services by an identified sponsor. It is a way of mass communication. It is the most popular and widely practiced tool of market promotion. Major part of promotional budget is consumed for advertising alone. Various advertising media – television, radio, newspapers, magazines, outdoor means and so forth – are used for advertising the product.
- (ii) **Sales Promotion** : Sales promotion covers those marketing activities other than advertising, publicity, and personal selling that stimulate consumer purchasing and dealer effectiveness. Sales promotion mainly involves short-term and non-routine incentives, offered to dealers as well consumers. The popular methods used for sales promotion are demonstration, trade show, exhibition, exchange offer, seasonal discount, free service, gifts, contests, etc.
- (iii) **Personal Selling** : Personal selling includes face-to-face personal communication and presentation with prospects (potential and actual customers) for the purpose of selling the products. It involves personal conversation and presentation of products with customers. It is considered as a highly effective and costly tool of market promotion.
- (iv) **Publicity** : Publicity is also a way of mass communication. It is not a paid form of mass communication that involves getting favourable response of buyers by placing commercially significant news in mass media.
- (v) **Public Relations** : The public relations is comprehensive term that includes maintaining constructive relations not only with customers, suppliers, and middlemen, but also with a large set of interested publics. Note that public relations include publicity, i.e., publicity is the part of public relations.

6



CBSE Textbook Questions

Market, Market, Where are You!

Q. 1. Answer each of these questions in about fifteen words :

- (i) **What is meant by E-Commerce?**

[R]

Ans. E-Commerce is a type of business model which helps in promoting business and selling goods through online computer network. E-Commerce allows quick response to the queries or doubts of customers regarding the product.

Q. 2. Answer each of these questions in about fifty words :

(i) Define 'Market'? R

Ans. Market is a place where buyer and seller meet each other and sale/purchase takes place. Market is not restricted to a particular place but to a region.

(ii) Define 'Traditional Markets'? R

Ans. A limited place where aggressive selling takes place is called traditional market. In this market more importance is given on selling the product.

(iii) In what terms, with passage of time, did the industrial activity intensified? U

Ans. With the passage of time industrial activity intensified in terms of :

- (a) Quantity,
- (b) Quality of goods,
- (c) Competition,
- (d) Variety of products,
- (e) Consumer Awareness,
- (f) Emergence of consumer protection laws.

R (iv) What range of activities business comprise of? R

Ans. Range of Activities are :

- (a) Industry ----- Manufacturing/production related activities.
- (b) Trade ----- Buying and selling goods
- (c) Commerce ----- All business activities and aides to trade

Q. 3. Answer each of these questions in about seventy five words :

(i) Give three points of difference between the Traditional Market and Modern Markets. R

Ans. Difference between Traditional Market and Modern Market :

Basis	Traditional Market	Modern Market
Place Vs. Region	It is a particular place where goods are purchased and sold.	It is to market as whole region where buyer and seller can contact each other.
Objective	The main objective is to increase sale of goods.	The main objective is customer satisfaction.
Role of customer	Role of customer is just to purchase the goods available.	Product is designed as per the needs and desires of the customers.

R (ii) Discuss the role of E-Business in promoting the business community. U

Ans. Role of E-Business in promoting the business community :

- (a) **Quick solution to doubts :** E-business play important role in providing quick response to the queries and doubts of the customers.
- (b) **Updated Information :** Customers can access updated information about the company and product on the website of the company.
- (c) **Extending Markets :** Because of E-business, the markets have become global and in the reach of sellers and customers. Now a seller can sell its product over the different parts of the world instead of selling at one place only.

(d) **Shortening of Distribution Channel :** Through E-business, producers contact with the consumers directly, resulting in the reduction of middlemen and related costs. Because of this consumer get goods at lower prices.

(e) **Saving of time and cost :** Customers can buy product online and not required to physically visit the market to purchase goods. They can get information and the goods online because of e-commerce, thus saving time, cost and energy.

(f) **Less risk in payments :** Digital payment i.e. payment online through net banking, credit cards, debit card, etc., can be made to the producer which reduces the risk involved in the transfer of money.

Q. 4. Answer each of these questions in about one hundred and fifty words :

(i) Differentiate between E-Commerce and E-Business. R

Ans. Difference between E-Commerce and E-Business:

Basis	E-Commerce	E-Business
Meaning	E-Commerce is a type of business model which helps in promoting business and selling goods through online computer net- work.	E-Business is electronic communication to the customers, suppliers, business partners and government organisations etc.
Scope	Scope of E-Commerce is wider.	Scope of E-Business is Limited.
Aim	It aims at improvement and modification in business processes.	It aims at new business models and the potential to gain more.

Analysing Market Environment

Q. 1. Answer each of these questions in about fifteen words :

(i) What is Micro Environment? R

Ans. Micro environment refers to those internal small forces (within the enterprise) that affect its ability to serve its customers.

(ii) Give one point of difference between the Primary forces and secondary forces. R

Ans. Primary forces mean internal factors which affect the working of an enterprise. Secondary forces mean external factors which are uncontrollable.

(iii) Who is a Producer? R

Ans. A producer is a person, company or country which manufactures and supplies goods to its customers.

Q.1 (iv) What is meant by the term Demographic Forces? R

Ans. Human population is mainly considered as demographic force. From the business view point human population is divided in terms of location, age, gender, occupation, size, density, etc.

Q. 2. Answer each of these questions in about fifty words:

(i) Define 'Market Environment'. R

Ans. The market environment refers to factors and forces that affect a firm's ability to build and maintain successful relationship with customers.

(ii) Define 'Macro Environment'? R

Ans. Macro environment is directly concerned with the external forces. These external forces refers to

Q. 4. Answer each of these questions in about one hundred and fifty words :

(i) Differentiate between competitors and suppliers as primary forces of market. R

Ans. Difference between competitors and suppliers :

Basis	Competitors	Suppliers
Offer	They provide similar offerings for goods and services in the market.	Suppliers offers only one brand of goods or service.
Strategies	Strategies are developed to stop the competitors.	Strategies are developed for the growth of the firm.
Focus	Main focus is on identifying, who are our competitors and what is the level of competition?	Main focus is on arranging resource, labour, material and manpower, etc.
Presence	Market will continue whether there is high competition or less competition.	Lack or non-availability of suppliers can ruin the market for a product.
Analysis	Analysis of strength and weakness.	Analysis of opportunities and threats.

Q.2 (ii) 'Customer is the King'. Do you agree? Justify your answer. AE

Ans. Yes, Customer is the king because all business activities begins with him, ends with him and moves around him. All products are designed, manufactured and sold as per the requirements of the customers. A business firm gives more priority to the customers who lead the market and can beat the competition. It is important to understand the need and problems of the customers. An entrepreneur must spend some time in understanding the tastes and preferences of the customers and the latest trend of the market. Entrepreneur should design a market survey through which he can understand needs/wants, nature of demand, likes and dislikes of the customers and can design his product accordingly. Entrepreneur must focus on its old customers rather than attracting new customers.

Q. 5. Answer each of these questions in about two hundred and fifty words :

(i) Discuss the primary forces that comprise the internal environment of the market. R

Ans. Primary forces that comprise the internal environment of the market :

all forces that are part of the larger society and are "uncontrollable".

(iii) Define Customers. R

Ans. Customers are recipients of goods and services from the producer or supplier through a financial transaction.

Q. 3. Answer each of these questions in about seventy five words :

(i) 'Performing Sellers' sustain and succeed in the market. How? U

Ans. Only performing sellers sustain and succeed in the market because they keep eye on the changing business environment and all internal and external forces which may affect the business. They keep themselves aware of the needs and problems of the people and new market trends. They provide solution to their customers and market for their unmet needs. They identify the opportunities and threats in the environment which are concerned with their venture.

(a) **Producer/Seller :** A producer is a person, company or country which manufactures and supplies goods to its customers. To become a successful producer or seller one should have the capability of recognising the unmet needs and trends in the society. Always there are some problems and needs in the society which are not taken care of.

(b) **Customer :** The most influential force which rules the market is the customer or consumer. Customer is considered as king because all business activities begins with him, ends with him and moves around him. All products are designed, manufactured and sold as per the requirement of the customers. A business firm gives more priority to the customers may lead the market and can beat the competition.

(c) **Competitors :** They provide similar offerings for goods and services in the market and develop strategies to restrict the competitors. Their main focus is on identifying, who are our competitors, what is the level of competition and what operational capacity they have?

(d) **Suppliers :** Suppliers offers only one brand of goods or services. They develop strategies for

the growth of the firm. Their main focus is on arranging resources, labour, material and manpower, etc.

- (e) **Marketing Intermediaries** : They help in the flow of goods and services between the producing firm and its final market. They use different channels of distribution like agents, brokers, wholesaler and retailer etc. An enterprise cannot survive in the market without these intermediaries.

- (ii) **Explain the term Secondary Forces. What all external environment comprise of?** R

Ans. Secondary forces are as follows :

- (a) **Demographic Forces** : Human population is mainly considered as demographic force. From the business view point human population is divided in terms of location, age, gender, occupation, size, density, etc. It is important for an entrepreneur to understand the demographic factor because it helps in dividing the population into market segment and target market.
- (b) **Economic Forces** : Entrepreneur must keep eye on the economic factor because it may play important role in the success of business. It is directly concerned with the purchasing power of the customers and how they spend money on the goods they want. Under depression purchasing power of a customer will be different and under the condition of economic growth his purchasing power will be different.
- (c) **Technological Forces** : Technological environment include the scientific improvements, methods, innovations, techniques and approaches adopted by a business firm for production of goods and

services and its distribution. Technological environment provides new ways of producing goods and services and new methods and techniques of operating a business firm.

- (d) **Political Forces** : Political stability and peace in the country would provide a healthy business environment and new opportunities for growth and development. It sends a signal of strength, confidence to various interested groups and investors. Political instability will have negative impact upon business and there may be uncertainty of business activities. Attitudes of government officials towards business may have either positive or negative impact upon business. For the growth of business and economy, political stability is necessary.

- (e) **Cultural Forces** : Social and cultural environment is also uncontrollable force which affects the performance of an enterprise. Social environment includes social forces, i.e., values, social trends, customs, traditions and society's expectations from business an, etc. If any business organization does not adapt the social environment then it will lead to the dissatisfaction among its customers and rejection of its products.

- (f) **Natural Forces** : It includes the following which directly or indirectly affect the business :

- (1) Resources which are natural that a company uses as inputs and affects their marketing activities.
- (2) Increase in pollution
- (3) Shortages of raw materials
- (4) Direct governmental intervention
- (5) Increase in population

- R** (iii) **Differentiate between the Micro and Macro environment.** R

Ans. Difference between Micro and Macro Environment :

Basis	Micro Environment	Macro Environment
Meaning	Micro environment refers to those internal small forces (within the enterprise) that affect its ability to serve its customers.	Macro environment is directly concerned with the external forces. These external forces refers to all forces that are part of the larger society and are "uncontrollable".
Elements	Main elements of Micro Environment are Producer / seller, Customer, Competitors, Suppliers and Marketing intermediaries.	Main elements of Macro Environment are Demographic, Economic, Technological, Political, Natural and Cultural forces.
Nature of elements	Specific	General
Control	These factors are controllable up to some extent.	These factors are uncontrollable.
Influence	Direct and Regular	Indirect and distantly

Researching the Market

Q. 1. Answer each of these questions in about fifteen words :

- (i) **What is 'Market research'?** R

Ans. Market research is a process of assessing valuable market information which is necessary for a business firm. Through market research an entrepreneur comes to know about the tastes and preferences of the people and their needs.

- (ii) **What is 'Market Survey'?** R

Ans. An entrepreneur collects day to day information about the market to make his business venture successful. Market survey is a technique of knowing more about the customers and what they want.

Q. 2. Answer each of these questions in about fifty words :

- R** (i) **To be characterized as "good" market information, enlist any four essential characteristics to be possessed by it.** R

Ans. Essential characteristics are :

- (a) Clarity and Completeness
- (b) Relevance and Accuracy
- (c) Confidentiality and Authenticity
- (d) Economy and Reliability
- (ii) Define 'Research Instruments'. R

Q.1 (iii) Give one major difference between 'Market Research and Market Survey'. R

Ans. Difference between Market Research and Market Survey :

Market Research	Market Survey
Market research is a continuous process of systematic gathering, recording and analysing the research data. It has a wider scope.	Market survey is smaller concept and a part of the market research.

- (iv) List the types of market survey conducted to extent information. R

Ans. Types of market survey :

- (a) Personal interviews,
- (b) Telephonic interviews,
- (c) Direct mail interviews,
- (d) Fax/E-mail interviews,
- (e) Online interviews,
- (f) Questionnaire Development,
- (g) Field work.

Q.3. Answer each of these questions in about one hundred and fifty words :

Q.1 (i) State the main steps involved in Marketing Research. R

Ans. Steps involved in marketing research :

Step 1 : First step is to identify the problem to be solved which is highlighted through marketing research. The main purpose of a market research is to collect information on various aspects of the business.

Step 2 : Prepare a list of the needed information which is required to solved that particular problem. Information should be related to the business.

Step 3 : Know that whether such information is already available or not and developing the research design accordingly.

Step 4 : Select the best research instrument to be used.

Step 5 : To make analysis and interpretation of the problem being tackled. For this purpose an entrepreneur can use a software program to get accurate analysis.

Step 6 : Summarize the findings

Step 7 : Prepare the research report which includes what the study revealed, along with a list of recommendations for firm's continual growth.

- (ii) Explain Marketing survey along with the methods of conducting the same. R

Ans. An entrepreneur collects day to day information about the market to make his business venture successful. Market survey is a technique of knowing more about the customers and what they want. Market survey is the original field research which is used to collect the primary data in connection with a particular problem. It is an organised and in-depth approach which includes all the research activities and techniques. Market survey helps in extracting the information directly from the sources.

Ans. Market Survey is one of the most important and commonly used instruments by the entrepreneurs for research. Through market survey an entrepreneur collects day to day information about the market to make his business venture successful. Market survey is a technique of knowing more about the customers and what they want.

Methods of conducting Market Survey :

- (a) Personal interviews
- (b) Telephonic interviews
- (c) Direct mail interviews
- (d) Fax/E-mail interviews
- (e) Online interviews
- (f) Questionnaire Development
- (g) Field work

(iii) What role is played by 'Marketing Research'? U

Ans. Marketing research does not make decisions and it does not guarantee success. Marketing research is the systematic and objective search for, and analysis of, information relevant to the identification and solution of any problem in the field of marketing. Marketing Research is an important activity of any enterprise which is used to gather a variety of information needed to address different decisions. Marketing research is done in a systematic way to analyse the information relevant to the identification and solution of a particular problem in the field of marketing.

Marketing research plays important role in :

- (a) It provides important information about the customers need and wants.
- (b) It helps in designing the marketing program.
- (c) A business firm takes important decision on the basis of such marketing research.
- (d) On the basis of marketing research a business firm can choose best marketing program.
- (e) It provides support to the entrepreneur in quick feasibility study.
- (iv) **Market survey can be used as a tool for betterment of Society. To conduct a fair survey, list four strong values of a surveyor.** U

Ans. Market survey can be used as a tool for betterment of the society because the main purpose of market survey is to know the need and problems of the people and to provide them ultimate solution by providing quality goods and services. Through a market survey an entrepreneur wants to know what is happening in the society and what is the latest trend for demand and supply? What problems people are facing and what type of product they are looking for. Through a regular market survey an entrepreneur can collect important information about the tastes and preferences of the customers and this information

can be used in making good decisions regarding product, supply, pricing and quantity, etc.

Four values of a Surveyor :

- True and fair approach while conducting a survey.
- No personal bias or personal motive while conducting a survey.
- Correct Analysis should be done to assess the correct result.
- To frame a unique questionnaire which may provide necessary information.

Q. 4. Answer each of these questions in about two hundred and fifty words :

- Discuss the steps involved in conducting the market survey. [R]

Ans. Steps involved in the market survey :

Step 1 – Planning the Survey

It is important for an entrepreneur to plan the survey in the beginning by keeping in the mind following points :

- State the problem clearly and accurately.
- Identify the best method of survey viz. Personal interviews, Telephonic interviews, Direct mail interviews, Fax/E-mail interviews, online interviews, Questionnaire Development and Field work.
- Entrepreneur must make sure in the beginning, what will be the area of study, i.e., each and every unit of the market (census survey) or would select variable/units for study to use sampling method.
- Proper time should be given for the preparation of a questionnaire. It requires a lot of experience, expertise and resourcefulness. Entrepreneur must ensure that the questionnaire will fetch the necessary information from the market.

Step 2 – Field Work

Entrepreneur must keep in mind the following points before starting field work :

- Only trained staff, i.e., people having managerial and administrative skills should be involved in field work.
- Field work should be supervised strictly.
- Field work should be completed in a given time period.
- Responses should be recorded honestly and accurately.
- Collection of data should be flawless.

Step 3 – Analysis and Interpretation of Data

- Raw data serves no purpose. It should be edited as per the requirement and proper analyses should be done.
- Tabulated processed and interpreted data.
- Statistical analysis and interpretation of data.
- Help of experts should be taken for analysis and interpretation of data.

Step 4 – Report Making

The last step of market survey is to prepare a report with key findings from the study, i.e.,

- What the study revealed?
- Recommendations and suggestions.

- "Market Survey" is a useless expensive tool". Do you agree with the statement? Should it be dispense away with? Support your answer with reasons. [AE]

Ans. Market survey may be expensive tool but it is not useless. It helps in decision making and provides important information about the customers and the market. A business firm should continue with this method otherwise it will be difficult to know about the market and customers.

A firm should continue with the market survey method because of following reasons :

- Minimises risk of the enterprise :** A systematic market survey will give a signal of danger in the beginning. It helps in minimising the risk in different situations. With the help of market survey important information is collected by the enterprise and results are analysed in order to identify the risk factor and to minimise the risk.
- Provides information about the customers :** Market survey provides accurate information about the customers i.e. needs and problems, taste and preference, likes and dislikes and new market trends. This provides an edge over competitors to the firm.
- Helps in achieving goal :** It is important for an enterprise to achieve its goal smoothly and timely. A market survey which is designed in keeping mind the goals and objectives will always fruitful and lead the firm in right direction.
- Correct picture of the market :** Market survey provides a complete and correct picture of the market. Through market survey an entrepreneur comes to know about the latest trends in the market and what customers are expecting.
- Helps in forecasting :** A systematically designed market survey provides accurate, effective and timely forecast to the enterprise. It further helps in making important announcements and market related decisions.

- Lalit Messer's is planning to launch a new female clothing store. Draft a survey, not exceeding 10 questions as to collect some information that will be helpful in launching of this store.** [C]

Ans. Market Survey (among the women) for launching a new female clothing store

Name _____
Male/Female _____
Marital Status _____
Age _____
Contact No. _____
E-mail _____

- How much do you spend on your clothes every month?**
 - under 2,000
 - between 2,000 -3,000
 - between 3,000 – 5,000
 - More than 5,000
- What type of clothing do you preferred?**
 - Cotton
 - Wool

- (c) Denim
(c) Other (specify) _____
- (iii) Which of the following you prefer _____
(a) Ready-made Clothing
(b) Stitched Clothes
(b) Choice of family members
(d) Other (specify) _____
- (iv) From where you would like to buy clothes?
(a) Traditional Market
(b) Shopping Mall
(c) Internet (online)
(c) Other (specify) _____
- (v) Which of the following is your method of buying clothes _____
(a) Prefer Bargain
(b) Wait for discount offers
(c) Festival offers
(d) other (specify) _____
- (vi) Do you gift clothes to your friends and family members on special occasions _____
(a) Yes
(b) No
- (vii) What type of clothes you like most _____
(a) Made in India
(b) Foreign Brands
- (viii) What time you prefer for shopping clothes _____
(a) Morning
(b) Afternoon
(c) Evening
(d) Any time
- (ix) How do you pay for your preferred purchases of clothes _____
(a) Cash payment
(b) Debit Card
(c) Credit Card
(d) other (specify) _____
- (x) How do you go for shopping _____
(a) Alone
(b) with family members
(c) with friends
(e) Other (specify) _____

(iv) "Survey is a customized technique." Which technique is generally used for it? Throw some light on the importance and precautions of these techniques. ☐

Ans. Market survey is used as a customised technique which includes all the research activities involved with extracting out carefully the information for not only the first time but directly from the sources.

The importance of market survey can be explained using the following points :

- (a) Customer is the king because all business activities begins with him, ends with him and moves around him. All products are designed, manufactured and sold as per the requirement of the customers. A business firm gives more priority to the customers may lead the market and can beat the competition. It is important

to understand the need and problems of the customers. An entrepreneur must spend some time in understanding the taste & preferences of the customers and the latest trend of the market.

- (b) Market survey provides a complete and correct picture of the market. Through market survey an entrepreneur comes to know about the latest trends in the market and what customers are expecting.
- (c) A systematically designed market survey provides accurate, effective and timely forecast to the enterprise. It further helps in making important announcements and market related decisions.

Precautions

- (a) Survey should be customer oriented.
(b) True and fair approach while conducting a survey.
(c) No personal bias or personal motive while conducting a survey.
(d) Correct analysis should be done to assess the correct result.
(e) To frame a unique questionnaire which may provide necessary information.

*Expanding Markets

Q. 1. Answer each of these questions in about fifteen words :

- (i) Define 'Strategy'. ☐

Ans. Strategy means a plan of action which is designed to achieve some organisational objectives. Strategy represents the set of decisions, actions and reactions necessary for an enterprise.

- (ii) Give another name for "Market Expansion Grid". ☐

Ans. Market expansion grid is also known as 'Ansoffs Product Grid'.

Q. 2. Answer each of these questions in about fifty words :

- (i) Changing environment needs a strategic planning on part of business enterprises. What should there plan contain? ☐

Ans. Business Environment is uncertain that is why it needs a strategic planning on part of the business enterprise. Such plan should contain :

- (a) Sharp, focused and competitive strategies to face the new competition.
(b) Plan in such a way so that opportunities and threats can be identified in advance and entrepreneur can take first mover advantage.
(c) Plan in such a way that the objectives of an enterprise can be achieved timely.

- (ii) Enlist the options available to a business enterprise in this fast changing environment. ☐

Ans. There are only two options available in this fast changing environment :

- (a) **Quit** : This option is always available to an entrepreneur, he can quit any time. This will allow competitors to dominate and lead the market. The only option available here is to come out of the competition and shut down the enterprise.

- (b) **Never give up** : Entrepreneur should have spirit of never give up which may help in gaining an edge over the competitors.

(iii) **State the categories into which a corporate strategies can be divided.** [U]

Ans. There are various strategic alternatives are available to an enterprise for achieving its growth objectives. The corporate strategies a firm can adopt, have been classified into four grand categories :

- (i) Stability maintain strategies
- (ii) Expansion – growth strategies
- (iii) Retrenchment/Divestment strategies
- (iv) Combination strategies

Q. 3. Answer each of these questions in about seventy five words :

- (i) **When an entrepreneur selects to follow stability strategies?** [U]

Ans. An entrepreneur wants to continue his business, so he is comfortable with the same demand, product, and service. He needs stability in the business and adopts stability strategy due to the following reasons :

- (a) No risk or less risk involved,
- (b) Comfortable in handling the same type of demand and supply,
- (c) Entrepreneur is highly satisfied,
- (d) Entrepreneur is defensive.

Once an entrepreneur achieves the level of stability in the business, he should strive for the growth and expansion of the enterprise. To do better than the competitors, he needs to develop a different strategy which may lead to the growth and expansion of the enterprise.

- (ii) **When does a firm opts to pursue expansion strategy?** [U]

Ans. Once business is stable and everything is on track, entrepreneur must think of its internal growth and expansion. Firm must increase its business activities. An entrepreneur can expand his enterprise at domestic level or international level depend upon the production capacity and available resources.

Mainly expansion strategy is adopted when :

- (a) When a firm is able to provide additional product or services.
- (b) When market growth is very fast or firm can find a new market.
- (c) When a firm wants to increase its profit.
- (d) A stretch rather than a fit strategy is pursued.
- (e) When firm is able to develop a new product and new processes.
- (f) When internal expansion, merger and acquisition is used to achieve expansion.
- (g) When a firm wants to shift its business from local to global markets.

- (iii) **Define Diversification strategy with help of an example.** [R]

Ans. Diversification refers to adding new activities to the existing business. These business activities

may be same as current business activities or may be quite unrelated. For diversification a firm may use latest technology or other production facilities and distribution channels.

Entrepreneur must keep an eye on the changing business environment and accordingly develop new strategy of diversification so that his firm can have a good foothold in the market. Keeping focus on the existing market as well as finding new market will make the decision of diversification successful. A firm who takes advantage of the changing environment may remain as trend setter.

Q. 4. Answer each of these questions in about one hundred and fifty words :

- (i) **'Desire to grow and expand comes naturally to an entrepreneur'. Do you agree? Give reasons for your answer.** [AE]

Ans. Desire to grow and expand comes naturally to an entrepreneur because business is a passion for entrepreneur and he wants to see his business growing and expanding in the changing environment. His focus is on growth and expansion of the business because of the following reasons :

- (a) A Healthy firm normally has a natural desire for growth.
- (b) Growth is necessary for the survival of business.
- (c) Growth helps in increase the market share.
- (d) Entrepreneur would like to lead the market and industry.
- (e) Growth of the business will also minimize the business risk
- (f) Resources will be fully utilized due to the growth of the firm.
- (g) When a firm wants to increase its profit earning capacity.
- (h) Growth is necessary to motivate the employees and to build the confidence of customers in the business.

- (ii) **What is intensive expansion? Explain with help of an example?** [R]

Ans. When a business firm increases its sales by enlarging the existing market it is known as intensive expansion.

Penetration Strategies :

A business firm encourages its customers to use its product more and more. For example, a firm is advertising its toothpaste with the punch line – brush your teeth twice a day with our toothpaste to prevent cavities.

- (a) A business firm can add more clients by advertising its product, by giving discount and coupons, etc.
- (b) A business firm can make a strategy of multibranding with an aim of capturing the market by winning the customers of their competitors.

Market Development Strategy :

- (a) Firm can made a change in its sales strategy instead of selling its product only to a specific demographic group, it can now offer the same product to a different demographic group.

- (b) Firm can tell a better and different use of the same product for example; Aspirin, a pain killer, has been discovered good for heart too.

Product Development Strategies :

Entrepreneur can develop a new product or modify the existing product to meet the

- (iii) Differentiate between backward integration and forward integration. R

Ans. Difference between backward and forward integration :

Basis	Backward Integration	Forward Integration
First step	It refers to taking a step back.	It refers to taking a step forward.
objective	To make producer a raw materials wholesaler.	To make firm a finished goods wholesaler.

Q. 5. Answer each of these questions in about two hundred and fifty words :

- (i) List the different forms of Intensive Expansion. Explain the forms of Penetration strategies available to the firm. R

Ans. Different forms of intensive expansion :

- (a) Penetration Strategies.
 (b) Market Development Strategy.
 (c) Product Development Strategies.
Penetration Strategies :
 (a) **Encourage frequency of use :** A business firm encourages its customers to use its product more and more. For example, a firm is advertising its toothpaste with the punch line – brush your teeth twice a day with our toothpaste to prevent cavities.

- (b) **Attract new clientele :** A business firm can add more clients by advertising its product, by giving discount and coupons, etc.

For example :

- (i) By advertising the product effectively.
 (ii) Door to Door Selling or Personal selling.
 (iii) Discounts, i.e., seasonal, festival cash discount, quantity discount, etc.
 (iv) Coupons.
 (v) Free samples.

- (c) **Attract Competitors Customers :** A business firm can make a strategy of multi-branding with an aim of capturing the market by winning the customers of their competitors. Company can increase its sale if it is successful in making the customer to switch from the competitor's brand to the company's brand but at the same time firm has to maintain its existing customers too.

- (ii) Discuss the forms available to an entrepreneur to go in for Integrative Expansion along with examples. R

Ans. Integrative expansion :

Vertical Expansion :

When a firm start performing all activities itself which were earlier performed by the hired external agencies, it is known as vertical integration. Under vertical integration all activities from beginning to end are performed by the firm itself, i.e., from sourcing of raw material to supply of finished goods.

- (i) **Backward Integration :** Backward integration means taking a step back and producer becomes a raw material wholesaler himself. He becomes his own supplier.

requirement of the customers. Following options are available :

- (a) Adding new features to the existing product.
 (b) Different Quality Levies – iPhone8, iPhone 8 plus etc.
 (c) Alternative Technology – WIFI enabled TV.

R

For example : The popular detergent manufacturing firm 'Nirma' was buying raw material from outsiders in the beginning which is now a days manufactured by Nirma itself.

- (ii) **Forward Integration :** Forward integration means firm is taking a step forward and becoming a finished good wholesaler. The manufacturer of a product who was not involved in the marketing of it, currently, starts marketing it directly through his own showroom.

Horizontal Integration :

Horizontal integration takes place at the same level of the value added chain. Horizontal integration is totally different but a complementary value added chain in the process of entrepreneurship. Under this integration acquisition of same level of competitors takes place.

- (iii) What is 'Market Development Strategy'? How can the same be applied by the entrepreneur. R

Ans. Market development strategies directly concern with identifying new customers and selling firm's existing product to them. It helps in exploring new markets at national and international level. Entrepreneur can applied such strategies as follows :

- (a) **New Demographic Market :** A firm can sell its existing product in new market after considering the following :

- (1) Income
- (2) Marital status
- (3) Standard of living
- (4) Education
- (5) Age and sex

- (b) **New Product Use :** Sometimes entrepreneurs come to know that their product is used by the people in different way that was not expected. Entrepreneur get a new idea from here and he modifies his product in such a way that product can fulfil the different demands. For example, one medicine Aspirin, which was used earlier as pain killer, is used by the heart patients too.

- (c) **New Geographical Market :** Entrepreneurs tries to sell his product at new locations and new markets. It helps in increasing the sale of the existing product in the new market as well as existing market. Entrepreneur can sell his product easily in a different market or at different location after considering the following points :

- (1) Customers' preferences
- (2) Language

- (3) Legal requirements
- (4) Regional differences, etc.
- (iv) **How can an entrepreneur enter a foreign market?** [U]

Ans. An entrepreneur can enter a foreign market by :

- (a) **Indirect Export** : This is the best way for an entrepreneur of going global. There is no need to make any change in the product, company, management and workforce of the organisation. Indirect export is the convenient mode of expanding the business. Export of goods can be done by the firm directly or by the help of independent middlemen.

- (b) **Direct Export** : A business firm may frame a policy of direct export and may decide to handle its own exports. Direct entry in the global market may involve high risk and huge investment but so is the potential return.

Direct export can be done in different ways :

- (1) Through domestic export divisions.
- (2) Through foreign sales branch.
- (3) Through middlemen or foreign based agents
- (c) **Licensing** : Licensing is also a valuable technical of going global. Through licensing a company may provide license to a foreign company to use its manufacturing process, trademark and method of production and may charge some fee or royalty from the foreign company.
- (d) **Contract Manufacturing** : This is another way to enter global market. Under contract manufacturing system, a firm keep itself away from the manufacturing process and hires local manufacturers to product the product for them. This is a fat way to enter global market with lesser risk.
- (e) **Joint Ventures** : This is also very interesting and easy way to enter in global market. Godrej-GE is a joint venture formed by spinning off the refrigerator business of Godrej and Boyee with GE (USA) with Godrej holding 60% stake & GE holding 40%. Company is planning to stop its refrigerators business and enter into Air conditioner, Dish Washers etc.
- (f) **Direct Investment** : A firm may buy directly the ownership of foreign based manufacturing unit. It may be a risk for the firm in the beginning but return may also be very high.

*Know Thy Business

Q. 1. Answer each of these questions in about fifteen words :

- (i) **Define the term 'Business'.** [R]

Ans. A business is an organization or enterprising entity engaged in commercial, industrial or professional activities. In simple words, Business may be defined as an activity involving regular production or purchase of goods and services for sale, transfer and exchange with the aim of making profit.

- (ii) **What is the epicentre of human life?** [R]

Ans. Human life is mainly entered on such activities which help them in satisfying their diverse

needs. People are involved in such activities to satisfy their physical, emotional, religious, social and psychological needs as well as to earn for livelihood.

- (iii) **Enlist any four characteristics of Business.** [R]

Ans. Characteristics of business :

- (a) Business is refers to an economic activity because the main objective of this activity is to earn money or livelihood.
- (b) A business firm is mainly involved in production or exchange of goods and services for value.
- (c) Business is a regular activity for a firm.
- (d) Business provides valuable goods and services to its customers and earn profit.
- (iv) **What is the final outcome of an industrial activity?** [R]

Ans. The final outcome of an industrial activity is 'Goods'. It can be classified as follows :

- (a) **Producer's Goods** : These goods are not used by the ordinary customers. These goods are used by the other industries as raw material for further production. Examples of producer's goods are; Machinery, tools, equipment, etc.
- (b) **Consumer Goods** : These goods are used by the ultimate consumers to satisfy their needs. Examples of consumer goods are; shirt, cooking oil, jams, pickle, detergent and soaps etc.
- (v) **Name the various types of trade.** [R]

Ans. There are two types of trade :

- (a) **Home or internal trade** : It includes wholesale trade and retail trade.
- (b) **Foreign or external trade** : It includes import trade, export trade and entrepot trade.
- (vi) **What is "Commerce"?**

Ans. According to James Stephenson, "commerce embraces all those processes which help to break the barriers between producers and consumers. It is the sum total of all those activities, which are engaged in the removal of hindrance of persons (trade) place (transport and insurance) and time (ware housing) in the exchange (Banking) of commodities".

Q. 2. Answer each of these questions in about fifty words :

- (i) **State the range of activities performed under Business.** [R]

Ans. Range of activities performed under business :

- (a) Industry, i.e., production and related activities
- (b) Commerce, i.e., trade and aids to trade. Trade means buying and selling
- (ii) **Explain any two business activities which are auxiliaries to trade.** [R]

Ans. Activities which are auxiliaries to trade are :

- (a) Warehousing,
- (b) Transportation,
- (c) Banking,
- (d) Insurance.

(iii) Define "Construction industry". [R]

Ans. An industry which involved in the creation and development of infrastructure is known as construction industry. It plays important role in the smooth development of the country's economy.

Construction industry is mainly involved in the construction of roads, dams, buildings, canals and bridges, etc. This industry gives prime importance to engineering and architectural skills.

(iv) Define "Tertiary industry". [R]

Ans. Tertiary industry can be defined as the back bone of the modern industry system. This industry helps the producers as well as customers at the same time. It removes all the barriers which arises during the production and distribution of goods and services. For example; transport, banking, insurance, warehousing and advertisement etc.

Q. 3. Answer each of these questions in about seventy five words :

(i) Define "Trade" and its types. [R]

Ans. Trade means exchange of goods and services produced by the intended parties. It helps in maintaining the balance between demand and supply of goods. It requires moderate amount of capital to maintain the stock of goods. Trade helps the producers because producers cannot come into direct contact with all consumers.

Types of trades :

- (a) Home or internal trade.
- (b) Foreign or external trade.

(ii) What is 'Business'? State its characteristics? [R]

Ans. Business may be defined as an activity in which different persons exchange something of value, whether goods or services, for mutual gain or profit. It includes all those activities which are related to the production and distribution of goods and services. Transportation, warehousing, banking and insurance etc., also comes under the business.

Characteristics of Business :

- (a) Business is considered as an economic activity because it aims good profit with customer satisfaction.
- (b) Business is business, it may be related to production, purchase, procurement of goods or renders service or both.
- (c) All business activities play important role in fulfilling the needs and wants of the customers.
- (d) Business is a regular activity.
- (e) Risk cannot be separated from the business, i.e., probability of incurring losses or earning inadequate profits, is inherent in all the businesses.

(iii) Explain "Transportation". State the modes of transportation and communication. [R]

Ans. Transportation plays important role in removing the hindrance of distribution of goods and services. Producers and customers are scattered geographically and supply of goods on time is a challenge for the producer but through transportation goods can be carried from the place of production to the place of consumption.

Modes of transportation used in the business :

- (a) Railways,
- (b) Roadways,
- (c) Airways,
- (d) Waterways,
- (e) Pipelines.

Q. 4. Answer each of these questions in about two hundred and fifty words :

(i) State briefly the various types of Primary industries. [R]

Ans. Primary industry is directly concerned with the extraction of natural resources such as minerals. It also includes fisheries and the agriculture industry. In simple words, those industries which are involved in extracting and processing or extraction of natural resources are called primary industries. There are two categories of primary industries :

- (a) **Extractive :** Extractive industries are involved in creating wealth from the natural resources such as soil, water, climate and air or beneath the surface of the earth, etc. Industries which are involved in the process of agriculture, fishing, mining and soil exploration are also included in extractive industries.

Features of Extractive industries are :

- (1) Extractive industries create employment opportunities for the people.
- (2) These industries provide raw material to other firms.
- (3) These industries create wealth by extracting, i.e., from the earth or sea.
- (4) Once material is extracted from the earth or sea, it cannot be restored or replaced.
- (b) **Genetic :** Genetic industries are involved in the process of re-production and multiplying certain species of plants and animal. These industries earn good profit with the sale of animal and plants.

These industries are involved in :

- (1) Growing plants,
- (2) Nurseries,
- (3) Breeding of rare animals and birds,
- (4) Cattle breeding,
- (5) Poultry farms,
- (6) Fishing (production).

(ii) **Rahul, an owner of a huge Departmental Store, charges exorbitantly due to no competition around, and he misses out on no opportunity to earn profit. He finds nothing wrong as the main goal of business is to earn 'Profit'. Discuss any four values which you find are lacking in him as a rational businessman.** [A]

Ans. Values which are missing :

- (a) Respect for customer, because customer is treated as king in the real business world.
- (b) Quality of service is very poor.
- (c) Business ethics are not followed.
- (d) Main focus is on profit rather than customer satisfaction.

(iii) **Define Commerce and discuss its functions.** [R]

Ans. Commerce provides the necessary link between producers and consumers. James Stephenson has defined commerce as, "Commerce embraces all those processes which help to break the barriers between producers and consumers. It is the sum total of all those activities, which are engaged in the removal of hindrance of persons (trade) place (transport and insurance) and time (ware housing) in the exchange (Banking) of commodities".

Functions of Commerce :

(iv) **Differentiate between Industry Commerce and Trade, explaining the main characteristics of each.** [R]

Ans. **Difference between industry, Commerce and Trade :**

Basis	Trade	Industry	Commerce
Meaning	Trade means exchange of goods and services produced by the intended parties.	Industry is a unit which is involved in the activities of production or manufacturing of various goods and services.	Commerce is refer to the exchange of goods and service with the aim of high profit by transferring the product to the ultimate users.
Scope	Narrow scope of exchange of goods and services.	Main elements of Macro Environment are Demographic, Economic, Technological, Political, Natural and Cultural forces.	It has wider scope of exchange of goods and service because transportation and shipment is not a big issue.
Capital	It requires moderate amount of capital to maintain the stock of goods.	It requires huge amount, because it is involved in the process of manufacturing of goods.	It requires less capital.
Supply & Demand	The main focus of trade is on both demand and supply of goods.	It depicts only supply side.	It depicts only demand side.

(v) **What do you understand by the term Industry? Explain the various types of industries?** [R]

Ans. Industry is a unit which is involved in the activities of production or manufacturing of various goods and services. It involves the specific activities i.e. converting raw material or semi-finished product into finished goods. It requires huge amount, because it is involved in the process of manufacturing of goods. It depicts only supply side.

Types of Industries :

- (a) **Primary industry :** It is directly concerned with the extraction of natural resources such as minerals. It also includes fisheries and the agriculture industry. In simple words, those industries which are involved in extracting and processing or extraction of natural resources are called primary industries. There are two categories of primary industries :
- (1) **Extractive :** Extractive industries are involved in creating wealth from the natural resources such as soil, water, climate and air or beneath the surface of the earth etc. Industries which are involved in the process of agriculture, fishing, mining and soil exploration are also included in extractive industries.

Features of Extractive industries are :

- Extractive industries create employment opportunities for the people.

- (a) It embraces all those activities, which are necessary for maintaining a free flow of goods and services.
- (b) Commerce removes the obstacles involved in the process of exchange.
- (c) It maintains and creates the value of place and time.
- (d) It deals with transfer of goods from the place of production to the ultimate consumers.
- (e) It deals with activities which are directly concerned with the exchange of goods and services.

- These industries provide raw material to other firms.
- These industries create wealth by extracting i.e. from the earth or sea.
- Once material is extracted from the earth or sea, it cannot be restored or replaced.

(2) **Genetic :** Genetic industries are involved in the process of re-production and multiplying certain species of plants and animal. These industries earn good profit with the sale of animal and plants.

Example : Growing plants; Nurseries; Breeding of rare animals and birds; Cattle breeding; Poultry farms and Fishing (production).

(b) **Secondary Industry :** These industries are concerned with transformation of materials provided by the primary industries. Example; Crude oil is primary activity and Petrol/Diesel is secondary.

Types of Secondary industries are :

- (1) **Manufacturing :** The main work of manufacturing industry is to convert the raw material into semi-finished goods or finished goods. Manufacturing industry may be classified as follows :
- **Analytical :** It involves analysis and separation of materials into final product. For example; separating or refining crude oil into petrol, diesel, kerosene and lubricating oil etc.

- **Synthetic** : Two different raw materials are combined to make a final product. Cement, paint, soap and yarn industries are examples of synthetic industry.
 - **Processing** : Every product goes through a process to become a final product. For example; cotton passes through spinning, weaving, dyeing to make cloth as a final product.
 - **Integration or Assembling** : Different parts are assembled to make a final combined product. For example: computer, television and bicycle, etc.
- (2) **Construction** : Construction companies are mainly involved in the creation of infrastructure. For example; roads, dams, buildings and bridges etc.
- (c) **Tertiary industry** : This Industry can be defined as the back bone of the modern industry system. This industry helps the producers as well as customers at the same time. It removes all the barriers which arises during the production and distribution of goods and services. For example; transport, banking, insurance, warehousing and advertisement etc.
- (vi) **Mohan Pvt. Ltd. just commenced with the business of Blue Pottery. Explain the auxiliaries required for the smooth functioning of their newly set enterprise.** [A]

Ans. Auxiliaries required for blue pottery are :

Transportation: It will help the company to provide product to the geographically scattered customers. Company can use the following Modes :

- (a) Railways,
- (b) Roadways,
- (c) Airways,
- (d) Waterways,
- (e) Pipelines.

Banking : It will also play important role for the continuous supply of finance for the following :

- (a) Commencement,
- (b) Day to Day operation,
- (c) Expansion,
- (d) Modernization,
- (e) Diversification,
- (f) Research and Development,
- (g) Innovation.

Insurance : Mohan Pvt. Ltd., must insure its goods through insurance to avoid risk and uncertainties. This risk may be due to loss by fire, loss by theft and some other reasons. Warehousing: There may be a long time gap between production of goods and its consumption. So warehousing is very important to keep good safe and store for long time.

Advertisement and Salesmanship : After investing in a business heavily, company must find the way to contact the customers as soon as possible instead of waiting for customers. Advertisement makes customer aware about the product and creates demand for the same. Salesmanship makes distribution process easy and customers get their product without any hurdle.

- (vii) **What are secondary industries? Discuss briefly the different types of secondary industries.** [R]

Ans. **Secondary Industry** : These industries are concerned with transformation of materials provided by the primary industries. Example; Crude oil is primary activity and Petrol/Diesel is secondary.

Types of Secondary industries are :

- (a) **Manufacturing** : The main work of manufacturing industry is to convert the raw material into semi-finished goods or finished goods. Manufacturing industry may be classified as follows :
 - (i) **Analytical** : It involves analysis and separation of materials into final product. For example; separating or refining crude oil into petrol, diesel, kerosene and lubricating oil etc.
 - (ii) **Synthetic** : Two different raw materials are combined to make a final product. Cement, paint, soap and yarn industries are examples of synthetic industry.
 - (iii) **Processing** : Every product goes through a process to become a final product. For example; cotton passes through spinning, weaving, dyeing to make cloth as a final product.
 - (iv) **Integration or Assembling**: Different parts are assembled to make a final combined product. For example : computer, television and bicycle, etc.
- (b) **Construction** : Construction companies are mainly involved in the creation of infrastructure. For example; roads, dams, buildings and bridges, etc.

Marketing Mix

Q. 1. Answer each of these questions in about fifteen words :

- (i) **What is 'Marketing'?** [R]

Ans. According to Philip Kotler, "Marketing is a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others."

- (ii) **What is "Commerce"?** [R]

Ans. Commerce is refer to the exchange of goods and service with the aim of high profit by transferring the product to the ultimate users. It has wider scope of exchange of goods and service because transportation and shipment is not a big issue.

- (iii) **To which tool of the marketing mix does 'Brand Name' pertain?** [U]

Ans. Brand name comes under 'Product Mix' because a product means something more than a physical commodity.

- (iv) **What is meant by Price Mix?** [R]

Ans. It is very crucial for an enterprise to fix an appropriate price for the product. Price is the exchange value of a product. Price Mix is the determination of money Value of any product or service.

- (v) **What is done under Place Mix?** [R]

Ans. Place mix refers to the channel of distribution. It involves wholesaler, retailer, middlemen, agents or any other channel which helps in providing goods to ultimate consumers.

Q1 (vi) Give one point of difference between Personal Selling and Sales Promotion. **R**

Ans. Difference between personal selling and sales promotion :

Basis	Sales Promotion	Personal Selling
Meaning	Sales promotion refers to all those promotional activities other than advertising and personal selling intended to motivate customers to buy a particular product.	Personal selling is a personal form of communication.
Purpose	It is designed to encourage the customers to examine the products.	Main purpose is to create awareness about the product.
Scope	Scope of Sales promotion is wider because it strengthens relations with various stakeholders like customers, shareholders, employees, suppliers, investors etc.	Scope of personal selling is limited because only limited number of people can be contacted through personal selling.
Time	It takes less time to cover the market.	It takes a lot of time to cover the entire market.
Feedback	It takes long time to understand the impact.	It provides direct and accurate feedback.
Useful	It is useful in making people aware about the product and to build long term relationship.	Personal selling is useful in selling the industrial products like machines and equipment of production.

Q. 2. Answer each of these questions in about fifty words :

(i) Define the term 'Marketing Mix'. **R**

Ans. Marketing mix is an essential part of marketing management. It is the combination of the four inputs namely product, price, promotion and distribution. In simple words, marketing mix can be defined as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market.

(ii) Enlist any four product oriented benefits from marketing mix. **R**

Ans. Benefits of Marketing Mix :

- Customer Satisfaction: To provide better customer services as per the needs of the customers.
 - Saleable quality: To take decision about the quality, design and packaging of product
 - Utilisation of available know how and other strengths of the firm to reduce the cost of the product.
 - Attractive designing and packaging and after sales services.
- (iii) Arvind, the manufacturer of footwear sells the same to different retailers, who then sell to the consumers. Name the channel and level of distribution involved. **C**

Ans. Producer-Retailer-Consumer (One level channel): Arvind is using one level channel under which he sells the footwear to retailer, who in turn sells to the customers.

(iv) List any four factors that influence the pricing decisions. **R**

Ans. Pricing decisions are influenced by the economic and non-economic considerations. Some factors that influence the pricing are :

- Cost of the product,
- Need and demand of the product,

- Level of competition,
- Government policies,
- Objective of the firm,
- Taste, preference and behaviour of customers.

Q. 3. Answer each of these questions in about seventy five words :

(i) What is pricing? Discuss the various factors that determine the price of a product. **R**

Ans. The price of a product is the amount of money paid by the buyer to own the product or the services. Pricing is the main activity in the marketing management. It is not only concerned with the profit made by the firm but it also decides the preferences of the customers and the reach of the product in the market.

Factors that determine the price of a product :

Internal Factors : Some internal factors which affect the price of the product are cost of manufacturing, cost of marketing, price elasticity of demand of the product and interaction of marketing mix with the pricing.

External Factors : Some external factors which affect the price directly or indirectly are nature of competition in the market, nature of economy, Government policies and bargaining power of the major suppliers and distributors.

(ii) Define product mix. What dimensions of the product are to be considered by the entrepreneur herein? **U**

Ans. Product mix relates to decisions regarding planning, developing and producing the right type of products and services for the consumers. It includes branding, labelling, trademark and packaging.

Dimensions of the product to be considered by the entrepreneur :

- Expected volume of output and sales/revenue growth potential

- (b) What will be the shape, size, weight, colour, features of the product?
- (c) To maintain high quality and standard of the product
- (d) Design and range of the product.
- (e) To provide a Brand name which helps in distinguishing and identifying the product from other products of similar nature.
- (f) To make product attractive by good packaging and labelling
- (g) Quality Check and testing of product time to time.
- (h) To make better relationship with the customers and to build long-term foothold in market, after sale service can play important role.

Q. 4. Answer each of these questions in about one hundred and fifty words :

- Q1** (i) What is meant by indirect channels of distribution? Explain any two indirect channels of distribution. [R]

Ans. Indirect Channels : When a manufacturer does not sell goods directly to the customers but employs one or more intermediary to move goods from the place of manufacturing to the point of consumption, the distribution network is called indirect. Under this system main channels of distribution are :

- (i) **Manufacturer – Retailer- Consumer (One Level Channel) :** In this type of distribution system only one intermediary (Retailer) is used between the manufacturer and the customers. Under this system of distribution a manufacturer can cover wide area of market.

Manufacturer → Retailer → Consumer

Example : Tata Motors and Maruti Udyog sell their cars through company approved retailers.

- (ii) **Manufacturer – Wholesaler - Retailer- Consumer (Two Level Channel) :** This is a very popular method of distribution and mostly used for the consumer goods like soaps, oils, clothes, rice, sugar and pulses. Under this method wholesaler and retailers are connecting links between manufacturer and customer. By using this method of distribution a manufacturer can create his foothold in the market by covering a larger market area.

Manufacturer → Wholesaler → Retailer → Consumer

- (ii) "Buy one get one free" is an example of one of the techniques of Promotion Mix. Name the technique. Explain any two other techniques of promotion mix. [A]

Ans. 'Buy one get one free' is an example of 'Sales Promotion'. The term 'Promotion-mix' is used to refer to the combination of different kinds of promotional tools used by a business firm to

advertise and sell its products. In simple words, promotion mix is a combination of promotional activities i.e. advertisement, personal selling, sales promotion and publicity, are to be used because using a single promotional tool may not prove fully effective.

Two other techniques of Promotion Mix :

Personal Selling : Personal selling is also known as salesmanship. It involves personal and individual communication. It is helpful in creating awareness about the product. It is flexible and makes an honest effort to induce the customer to buy the products. It also helps in clarifying the doubts/ misgivings of the customers.

Public Relations : The main purpose of using the concept of public relation is to design different useful programmes to promote and protect a company's image or its products. It means to strengthen relations with various stake-holders like customers, shareholders, employees, suppliers, investors, etc. For this purpose a business firm must organise some sports events, seminars, concerts, press release and speeches by top level corporate leaders, etc.

- Q1** (iii) State the importance of Pricing. [U]

Ans. Importance of Pricing :

- (a) **Key to Revenue :** Pricing plays important role in generating revenues. Sales and revenues are dependent on price. Good price of the product helps in increasing the sales and revenue of the enterprise.
- (b) **Attract Customers :** The best way to attract customers is to fix an attractive price of the product. It helps in increasing the demand of the product as well as profits of the enterprise and also adds new customers to the business.
- (c) **Edge over Competition :** When a business firm sells its high quality product at reasonable price, it will not only beat the competition but may get a good foothold in the market for future. Even customers want to enjoy the benefit of competition in the market by buying high quality product at good price.
- (d) **Crucial to Profits :** Pricing is always crucial to profits. There is high risk involved in this decision. One good decision on pricing may lead the firm's profit, growth and future.
- (e) **Platform for Achieving other Objectives :** Through an effective pricing strategy, a business firm will not only generate good sales and revenues but it can achieve other objectives too.

Q. 5. Answer each of these questions in about two hundred and fifty words :

- (i) Of what help is a marketing mix for an entrepreneurs? [U]

Ans. Marketing mix is helpful for entrepreneur as :

Helpful in Product related decisions : The important product decisions include :

- Decisions about the quality, design and packaging of product,
- Profit and sale growth potential,
- Better customer service,
- Utilisation of available know how and other strengths of the firm,
- Cost reduction,
- Better capacity utilisation.

Helpful in Price related decisions : Pricing decisions are influenced by the economic and non-economic considerations. Some factors that influence the pricing are :

- Cost of the product,
- Need and demand of the product,
- Level of competition,
- Government policies,
- Objective of the firm,
- Taste, preference and behaviour of customers.

Helpful in Place related decisions : Some factors that influence the place related decisions are :

- Selection of dealers or intermediaries,
- Managing inventory,
- Storage and warehousing,
- Transportation of goods from manufacturer to customers.

Helpful in Promotion related decisions : Promotion includes :

- Advertising,
- Personal selling,
- Sales promotion,
- Publicity and public relations.

- You are the marketing manager of a company manufacturing toy car. Explain briefly, the factors to be considered by you before finalizing the price of the toy car.** [C]

Ans. All internal and external factors should be considered before finalizing the price of the toy car. The price of a product is the amount of money paid by the buyer to own the product or the services. Pricing is the main activity in the marketing management. It is not only concerned with the profit made by the firm but it also decides the preferences of the customers and the reach of the product in the market.

Pricing decisions are influenced by the economic and non-economic considerations. Some factors that influence the pricing are :

- Cost of the product,
- Need and demand of the product,
- Level of competition,
- Government policies,
- Objective of the firm,
- Taste, preferences and behaviour of customers.

- Explain briefly the place mix and its components.** [R]

Ans. Place or Physical Distribution mix includes activities that make firm's products available to

the target customers. It consists of all the activities involved in transferring ownership and physical possession of the product to the consumers.

Components of Place Mix :

- Direct Channel (Zero Level) :** Direct Channel refers to making goods available to the consumers directly by the producer/manufacturer without involving any intermediary. By this a manufacturer can establish direct relationship with the customers.

Manufacturer → Consumer

Examples of direct channel :

- Sale of goods through own retail outlets (e.g., Titan company Ltd., McDonald, Bata)
- Internet selling (e.g., Flipkart, Amazon, Indiamart)
- Selling through own sales force (e.g., Eureka Forbes)
- TV Selling (e.g., Home Shop 18, Asian Sky Shop, Star CJ)

- Indirect Channels :** When a manufacturer does not sell goods directly to the customers but employs one or more intermediary to move goods from the place of manufacturing to the point of consumption, the distribution network is called indirect. Under this system main channels of distribution are :

- Manufacturer – Retailer- Consumer (One Level Channel) :** In this type of distribution system only one intermediary (Retailer) is used between the manufacturer and the customers. Under this system of distribution a manufacturer can cover wide area of market.

Manufacturer → Retailer → Consumer

Example : Tata Motors and Maruti Udyog sell their cars through company approved retailers.

- Manufacturer – Wholesaler - Retailer- Consumer (Two Level Channel) :** This is a very popular method of distribution and mostly used for the consumer goods like soaps, oils, clothes, rice, sugar and pulses. Under this method wholesaler and retailers are connecting links between manufacturer and customer. By using this method of distribution a manufacturer can create his foothold in the market by covering a larger market area.

Manufacturer → Wholesaler → Retailer → Consumer

- Manufacturer – Agent - Wholesaler - Retailer- Consumer (Three Level Channel) :** Under this method of distribution a manufacturers use their own selling agents who connect them with wholesalers and then the retailers. This method of distribution is suitable only when a manufacturer is providing a limited product line but wants to cover a larger market area.

Manufacturer → Agent → Wholesaler → Retailer
→ Consumer

- (iv) **Determination of the price of a product is a very crucial decision' Why? Support your answer with reasons.** [C]

Ans. Determination of the price of a product is very crucial for an enterprise because there are some factors which may change the circumstances in favour or against the pricing policy of the firm. Some factors are internal and some factors external. Somehow internal factors can be controlled up to a limit but external factors can't be controlled.

Reasons in support :

- Key to Revenue :** Pricing plays important role in generating revenues. Sales and revenues are dependent on price. Good price of the product helps in increasing the sales and revenue of the enterprise.
- Attract Customers :** The best way to attract customers is to fix an attractive price of the product. It helps in increasing the demand of the product as well as profits of the enterprise and also adds new customers to the business.
- Edge over Competition :** When a business firm sells its high quality product at reasonable price, it will not only beat the competition but may get a good foothold in the market for future. Even customers want to enjoy the benefit of

competition in the market by buying high quality product at good price.

- Crucial to Profits :** Pricing is always crucial to profits. There is high risk involved in this decision. One good decision on pricing may lead the firm's profit, growth and future.
- Platform for achieving other Objectives :** Through an effective pricing strategy, a business firm will not only generate good sales and revenues but it can achieve other objectives too.
- Name the methods used for pricing. Define marketing mix. Draw a chart showing the components and sub-components of the mix.** [R]

Ans. Methods used for pricing are :

- Cost plus pricing method
- Variable pricing method
- Skimming pricing method
- Penetrating pricing method
- Market rate method
- Base price and discount method

Concept of Marketing Mix :

Marketing mix is an essential part of marketing management. It is the combination of the four inputs namely product, price, promotion and distribution. In simple words, marketing mix can be defined as the set of marketing tools that a firm uses to pursue its marketing objectives in a target market.



- (vi) **What is meant by market intermediaries? Can market survive without these intermediaries? Support your answer with the help of two reasons.** [C]

Ans. Market intermediaries are also known as Middlemen or Distribution intermediaries. They play important role in supplying the product from producer to customers. Mostly all products are distributed through a network

of marketing channels. Market cannot survive without these intermediaries because producer cannot produce and distribute the goods alone. He needs some intermediaries who can sell his product in different areas. Producers can only produce the goods but cannot supply the same goods to customers residing in different areas. Intermediaries are required to supply goods to the ultimate customers.

Main Reasons for involving intermediaries are :

- By using market intermediaries a business firm can cover large geographical area.
- It reduces the risk of manufacturer or producer

because wholesalers take delivery of goods from the factory (manufacturing place) and thereby assumes risks on account of demand fluctuations, spoilage, theft and loss by fire, etc.



High Order Thinking Skills (HOTS) Questions

BUQ. 6. (i) "A scientific method more than any other procedure can minimize elements of uncertainty which result from lack of information". Do you agree? Give reasons. [AE]

Ans. Market research plays important role in applying the scientific method to the marketing problems. This is the only method which can eliminate uncertainty. Market research helps in getting important information about the product, customers, competitors and market trends etc. If an enterprise is operating without collecting the market information it may lose track and become vulnerable in near future. Market research reduces the danger of making a wrong choice between alternative courses of action.

Entrepreneur must ensure that there should be application of valid and reliable research methods and instruments.

Reasons in favour :

- The design of research should have a scientific base.
- Research design must focus on the specification of methods and procedures for acquiring the information needed.
- The methods and procedures to be used in a research should be scientific.
- The basic qualities of a scientific method are rationality and objectivity.
- It is impossible to remove complete uncertainty but scientific method can minimize the risk of uncertainty.
- By using scientific methods of marketing research, researchers arrive at correct conclusions.

(ii) "Economic factors refer to the purchasing power of the potential customers." Explain. What is meant by the terms "purchasing power" & "potential customers"? [U]

Ans. Economic factors refer to the purchasing power of potential customers and the ways in which people spend their money. Behaviour of a buyer will be different when economy is doing well and behaviour during depression may be different.

Purchasing power : It means how much a buyer can spend or how much fund is available with a buyer to make purchases. Purchasing power is the money and credit available for buying goods and service. This is something through which a buyer can understand his strength on the other hand a business firm can fix price of the product as per the purchasing power of the customers.

Potential Customers : From the viewpoint of a business firm, a potential customer is one who is interested and capable of buying goods and services offered by the firm. Potential customers are the people who have already purchased goods and services of an enterprise and people who may buy goods and services of the firm in future.

(iv) Define customers. Are customer and consumer synonyms? If no, write the differences between them. [U]

Ans. Customers can be defined as an individual, group of people or a business enterprise which purchases goods and services produced by another business enterprise. Business firms adopt different marketing strategies to attract the customers because it is the customer who creates demand for goods and services. A customer is treated as a king these days because all business activities begins with the customers, ends with the customers and moves around the customers. The one who buys the product is a customer of the business and one who uses the product is the consumer. Buyer and consumer can be different individuals. A buyer may be an agent, distributor, wholesaler or retailer of the product. Consumer is one who is the final user of the product. Sometimes buyer and consumer may be a same person.

(v) You are the marketing manager of a company manufacturing toy car. Explain briefly, the factors to be considered by you before finalizing the price of the toy car. [C]

Ans. All internal and external factors should be considered before finalizing the price of the toy car. The price of a product is the amount of money paid by the buyer to own the product or the services. Pricing is the main activity in the marketing management. It is not only concerned with the profit made by the firm but it also decides the preferences of the customers and the reach of the product in the market. Pricing decisions are influenced by the economic and non-economic considerations. **Some factors that influence the pricing are :**

- Cost of the product,
- Need and demand of the product,
- Level of competition,
- Government policies,
- Objective of the firm,
- Taste, preference and behaviour of customers.



Application Based Exercise

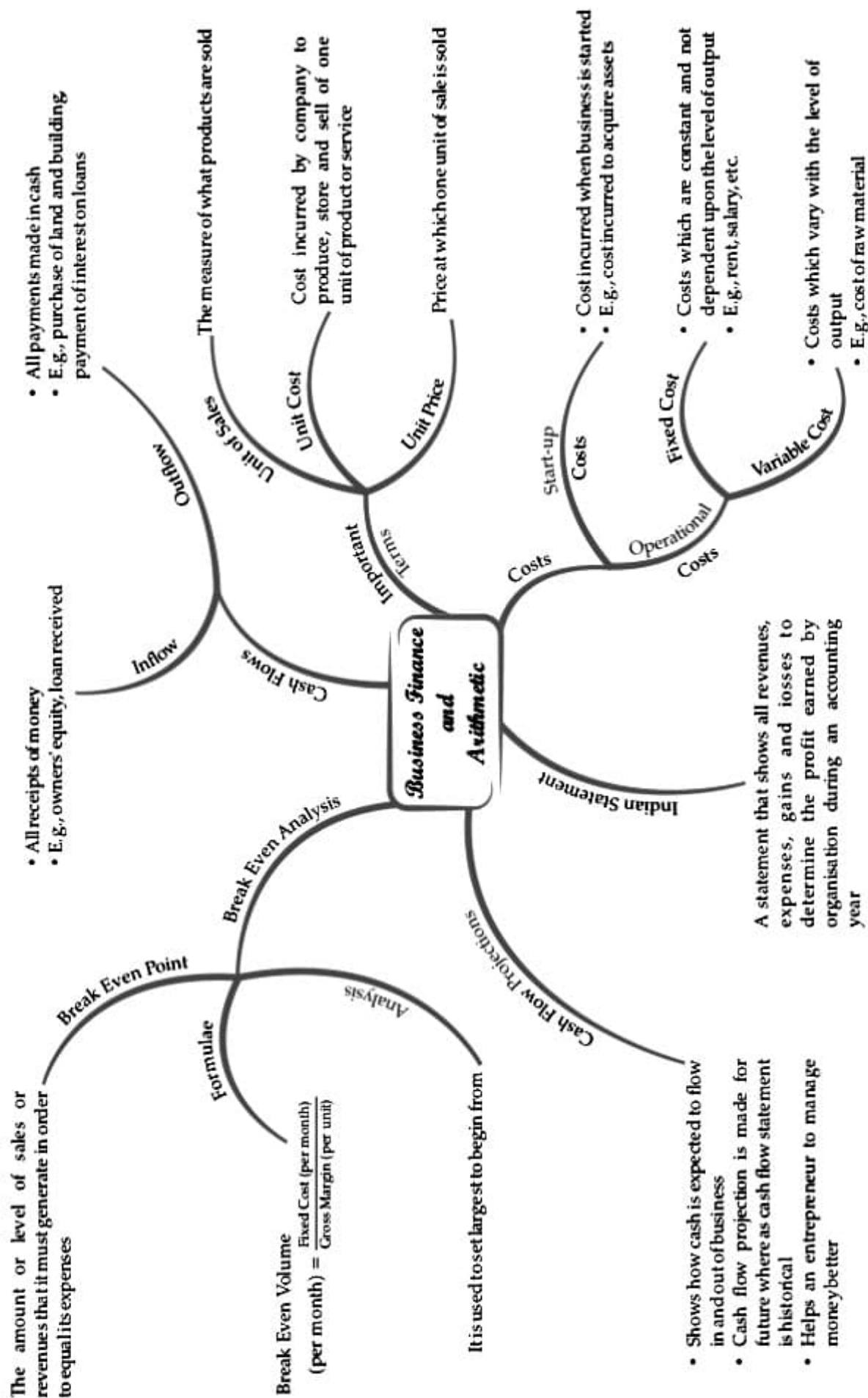
- (i) Anuj opens a grocery store. To advertise his shop in the local market he announces free coupons worth ₹ 100/- and 200/- on a purchase of goods ₹ 1000/- and above. Which element of promotion mix is being used by Anuj? Explain with two more relevant examples.

Ans. Element of Promotion Mix used : Sales Promotion. Anuj has used Sales Promotion

element of promotion mix to boost the sale. It is an effort to stimulate customers to buy more and more of particular commodities by using discount coupons etc.

- (i) He can attract new clients by using this sales promotion technique.
(ii) He can attract competitors' customers by offering them coupons of ₹ 100 and ₹ 200.





CHAPTER

6

BUSINESS FINANCE AND ARITHMETIC

Syllabus

Contents

- Unit of Sale, Unit Price and Unit Cost – for single product or service
- Types of Costs - Start up, Variable and Fixed
- Income Statement
- Cash flow Projections
- Break Even Analysis - for single product or service

Learning Outcomes :

After going through this unit, the student/learner would be able to:

- Discuss- Unit Cost, Unit of Sale, Unit Price of a product or service.
- Understand the components of COST - Start-up and operational costs.
- Prepare Income Statement and cash flow projection.
- Calculate break even of single product and service.
- Differentiate between Cash flow & Cash flow projections.
- Appreciate the importance of Cash Flow Projections in the smooth flow of finances in the business.



TOPIC-1

Cash Inflows and Cash Outflows

Revision Notes

➤ Cash Inflow

Cash inflows are the amounts coming into the business firm. For example; cash sales, cash received from debtors, commission and royalty received and refund of income tax etc.

➤ Source of Cash Inflows

- (i) Sales Revenue
- (ii) Loan received
- (iii) Interest received
- (iv) Owner's equity
- (v) Government subsidies
- (vi) Rent received
- (vii) Sale of assets in cash

➤ Cash Outflows

Cash outflow means cash is going out of the business in the form of cash purchases, cash paid to creditors, payment of operating expenses and payment of income tax, etc.

➤ Sources of Outflows

- (i) Purchase of assets
- (ii) Purchase of raw material
- (iii) Purchase of equipment

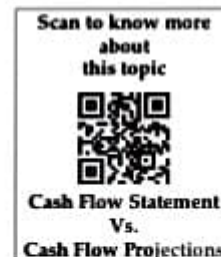
TOPIC - 1

Cash Inflows and Cash Outflows.... P. 95

TOPIC - 2

Costs P. 96

- (iv) Rent paid
- (v) Salary paid
- (vi) Transportation expenses
- (vii) Advertisement expenses
- **Cash Flow Projections :**
 - (i) Forecast anticipated sales
 - (ii) Forecast other cash inflows
 - (iii) Forecast cash outflows
 - (iv) Forecast expenses
 - (v) Put all information together and prepare cash flow forecast
 - (vi) Review your estimated cash flow to actual.



Know the Terms

- **Owners' Equity:** Money invested in the business by the owner/proprietor.
- **Subsidy:** Money coming in the form of grant (financial assistance) paid by the government.



Short Answer Type Questions-I

(2 marks each)

Q. 1. Give any two examples of Cash inflows. [R]

Ans. Two examples of cash inflows are :

- (i) **Sales Receipts:** Money coming into the business by selling the products or service.
- (ii) **Rent Received:** Money coming in by renting out office building or room. 2

Q. 2. Give any two examples of Cash Outflows. [R]

Ans. Two examples of Cash outflows are:

- (i) **Purchase of land :** When a business firm buys a piece of land to start the business, it is considered as outflow of cash.
- (ii) **Raw Material :** Buying of raw materials. 2



Long Answer Type Question-I

(4 marks)

Q. 1. From the following items find out Cash inflows and Cash outflows. [AE]

- (i) Goods sold in Cash
- (ii) Sale of Investments
- (iii) Income Tax Paid
- (iv) Interest paid to the debenture holders

Ans.

- (i) Goods sold in Cash–Cash inflow
- (ii) Sale of Investments–Cash inflow
- (iii) Income Tax Paid–Cash outflow
- (iv) Interest paid to the debenture holders–Cash outflow 4



TOPIC-2 Costs

Revision Notes

➤ Concept of Start-up Cost

Start-up cost refers to all non-recurring costs which are directly concerned with the starting of an enterprise. An entrepreneur must create a detailed map of the startup so that all expenses and costs can be determined in advance.

➤ Fixed Cost

Fixed cost is that cost which remains constant irrespective of increase and decrease in units of goods or services produced.

➤ Variable Cost

A cost that changes with the changes in the level of output.

- **Break Even Point :** Break Even Point is a situation where there is no profit and no loss. At this point total cost is equal to the total revenue. It helps in covering the cost i.e. fixed cost and variable cost and from this point a business firm moves forward to earn profits.

Scan to know more about this topic



Types of Costs

Scan to know more about this topic



Break Even Analysis

➤ Important Formulas

Calculation of Break Even = $\frac{\text{Fixed Cost}}{\text{Contribution Margin}}$

Contribution Margin = Selling Price – Variable Cost

Unit Price = Unit Cost + Gross profit per unit

Know the Terms

- **Unit of Sale:** Unit of sales can be defined as the measure of what products are sold. Measurement is crucial part in any business.
- **Break Even Point:** Break Even Point is a situation where there is no profit and no loss.
- **Unit Cost:** Cost of unit can be defined as the cost incurred by a company to produce, store and sell of a product.
- **Gross Profit:** It is the total profit earned by a business enterprise from selling a product or providing service before deducting fixed expenses.

? Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

- _____ is the price at which one unit of sale is sold. R
- Unit price has to be more than the _____. R
- _____ is also known as Cost of Goods Sold. R
- _____ are the expenses incurred during the process of creating a new business.. R
- Income Statement does not show _____ transactions. U

Ans. 1. Unit Price, 2. Unit cost, 3. Unit cost, 4. Start up costs, 5. Cash.

(B) State whether the following statements are True or False:

- Unit sales refers to the number of individual items that a company sells. R
- The unit cost is the price incurred by a company to produce, store and sell one unit of a particular product. R
- Sales commission is an example of fixed cost. A
- Depreciation of ₹ 6,000 on Machinery costing ₹ 60,000 is an example of expenditure. A

Ans. 1. True, 2. True, 3. False, 4. False.

(C) Multiple Choice Questions:

- Unit costs includes : U
 - Fixed costs
 - Variable costs

- Both (a) and (b)
- None of the above

Ans. (a) Both (a) and (b)

- Q1** 2. Unit price is ₹ 5 per ounce of soup. Unit Cost per ounce of soup is ₹ 3. Gross Profit per unit (one cup) would be : A

- ₹ 1
- ₹ 2
- ₹ 3
- ₹ 4

Ans. (b) ₹ 2

3. Administrative cost is an example of : A

- Start up cost
- Operational cost
- Both (a) and (b)
- None of the above

Ans. (b) Operational cost

- Q1** 4. Profit = Total Sales Revenue – _____ R

- Total Sales Expenses
- Fixed Cost
- Both (a) or (b)
- Neither (a) not or (b)

Ans. (a) Total Sales Expenses

? Short Answer Type Questions-I

(2 marks each)

- Q. 1. Give two characteristics of Break Even Point. R

Ans. Characteristics of Break Even Point :

- It is a powerful quantitative tool for managers.
- Entrepreneurs can use this information in making a wide range of business decisions.

2

Commonly Made Error

- Some students write meaning and formula as two features.

Answering Tip

- If features are asked, then write features specifically, not the definition or meaning.

Q. 2. Give any two difference between Cash Flow Projection and Cash Flow Statement. R

- Ans.** (i) Cash flow projection is concerned with inflow and outflow cash in future. Whereas cash flow statement is historical in nature.
- (ii) Cash flow projection helps in assessing the requirement of funds to be needed in the business. Whereas cash flow statement is helpful in decision making. 2



Short Answer Type Questions-II

(3 marks each)

Q. 1. Explain the importance of Cash flow projections. R

Ans. Importance of cash flow projection :

- It helps in estimating the expected inflows and outflows of an enterprise.
- It helps in estimating that how much capital is required to start a business.
- It helps in managing the day to day requirement of funds in the business. 3

Q. 2. Why is Break-even analysis regarded as a useful element of financial plan? R

Ans. Break-even analysis is useful for the entrepreneur as it helps in assessing :

- The minimum level of output to be produced.
- The effect of change in quantity of output upon the profits.
- The selling price of the product.
- The profitable options in line of production.

(Any three) 3



CBSE Textbook Questions

Q. 1. Answer the following in about 15 words

- (i) What do you mean by Unit of Sale? R

Ans. Unit of sales can be defined as the measure of what products are sold. Measurement is crucial part in any business. Unit of sale is important concept through which a business firm come to know about the total sale or total units sold during a particular time period.

- (ii) What do you mean by Gross Profit? R

Ans. Gross profit is the excess of over sales and cost of goods sold. Gross profit is calculated as follows:
Gross profit = Sales – Cost of goods sold

OR

Gross Profit = Unit price – Unit cost

- (iii) "When you sell your product but the buyer does not pay your money immediately", it is known as? R

Ans. A business firm is not always selling its product in cash, sometimes it may sell its product on credit and buyer will pay money after few days/month. This is known as selling on credit and the buyer is known as 'Debtor'.

Q. 2. Answer the following in about 50 words

- (i) Give four examples of Fixed Costs. R

Ans. Examples of Fixed Costs:

- Consultancy Charges
- Travel
- Salary
- Wages

- (ii) Give two examples of Start-up Cost. R

Ans. Examples of Start-up cost:

- Land :** This is the important start-up cost required to set up the business.
- Building :** It is important to construct a building where operational function will take place.
- Equipment :** Important equipment to the start manufacturing unit.
- Machinery :** Buying and installing machine.

- (iii) Give four examples of Inflow and Outflow of cash. R

Ans. Examples of inflow and outflow of cash :

Inflow of Cash:

- Cash Sales
- Cash received from debtors
- Commission Received
- Income tax refund

Outflow of Cash:

- Cash Purchases
- Amount paid to Creditors
- Payment of wages and other operating expenses
- Income tax paid

- (iv) What do you mean by Cash Inflow and Cash Outflow? R

Ans. Cash Inflows : Cash inflows are the amounts coming into the business firm. For example; cash sales, cash received from debtors, commission and royalty received and refund of income tax etc.

Cash outflow: Cash outflow means cash is going out of the business in the form of cash purchases, cash paid to creditors, payment of operating expenses and payment of income tax etc.

Q. 3. Answer the following in about 75 words

(i) Give one difference between Direct Tax and Indirect tax. R

Ans. Direct tax refers to a kind of charge which is imposed directly on the person whose income is taxable and this tax is paid directly to the government. Whereas indirect tax is levied on the price of a good or service. For example; GST (Goods and Services Tax). Indirect Tax is collected by the seller from the customers and deposited to the government.

(ii) Why motive of Business is to earn profit and not Loss? U

Ans. Motive of the business is to earn profit because a lot of hard work is involved in manufacturing and selling of goods. An entrepreneur who contributes his valuable capital and time deserves to get a good profit at the end.

(iii) Give one difference between Cash flow and Income statement. R

Ans. Cash flow means cash inflow and outflows of cash and cash equivalents. In simple words, cash flow means cash coming into the business and cash going out of the business. Whereas income statement is prepared to assess the profit or loss of the firm in a particular time period.

(iv) What do you mean by Non-Cash Expenses? R

Ans. Non-cash expenses are those which are not made in cash. These expenses will reduce the profit of the firm but there will be no effect on cash. Example of non-cash expenses is 'Depreciation'.

(v) What do you mean by Startup Cost? R

Ans. Startup cost refers to the amount paid for setting up a business. It is a non-recurring cost such as registration charge, legal fees, fees of accountant, advertising, promotion and employee training etc.

(vi) Explain Cost, Expenses and Expenditure. R

Ans. Cost : Cost is the amount paid to get something. It refers to the variable cost like raw material, packing material, sales commission, freight, etc.

Expenses : Expenses refers to those amount which are paid by the firm and benefit of which will be enjoyed by the firm within one accounting year. For example; rent paid, salary paid, travelling expenses, postage and printing expenses etc.

Expenditure : Expenditure is the heavy amount paid to acquire the fixed assets for the business; for example; purchase of machinery, purchase of furniture and purchase of land and building.

(vii) What is a Cash Register? Why is it important for any business? R

Ans. Cash register is an accounting book in which all cash transactions are recorded. Cash register

helps in further analysis of expenses, costs, revenues, profit etc. can be made.

Q. 4. Answer the following in about 150 words

(i) Why do we pay taxes? U

Ans. We pay tax to help and support the government. The money collected by the government in the form of tax is used for the development of the country, building roads, infrastructure, public libraries, parks, law, protection and judiciary system.

(a) Tax money is used to strengthen the defense services.

(b) Development of infrastructure.

(c) Money is required to tackle various social challenges.

(d) To provide loans.

(e) To handle local and national emergencies.

(ii) What do you mean by Break Even Point? R

Ans. Break Even Point is a situation where there is no profit and no loss. At this point total cost is equal to the total revenue. It helps in covering the cost i.e. fixed cost and variable cost and from this point a business firm moves forward to earn profits. It is important for a business firm to identify the Break Even Point so that it can ensure that all costs are covered. Below this point firm may face loss and above this point firm will gain profit.

(iii) How much profit can we earn? Is there any policy of the Government for Maximum Profit earning? AE

Ans. There is no such restriction on earning profits. A firm can make huge profits but tax is to be paid on the same. Tax paid by the firm is called corporate tax. Payment of tax is compulsory for a business firm. Government may change tax rate time to time and tax will be paid by the business firm accordingly.

(iv) A company makes a product with a selling price of ₹ 20 per unit and variable costs of ₹ 12 per unit. The fixed costs for the period are ₹ 40,000/. What is the required output level to make a target profit? A

Ans. Calculation of Break Even

$$= \text{Fixed Cost} / \text{Contribution Margin}$$

Contribution Margin

$$= \text{Selling Price} - \text{Variable Cost}$$

$$\text{i.e. } 20 - 12 = 8$$

$$\text{Break even in units} = 40,000 / 8 = 5,000 \text{ units}$$

$$\text{Break even (sales)} = \text{Fixed Cost} / \text{Contribution}$$

$$\text{Margin} \times \text{Sale price}$$

$$= 5,000 \text{ units} \times 20 = ₹ 1,00,000$$

Commonly Made Error

- Generally, students commit errors in calculation.

Answering Tip

- Do sufficient practise to avoid calculation errors.

(v) Identify the following items as inflow/outflow. Also give reason for your choice.

- (a) Raw Material
- (b) Depreciation
- (c) Machinery purchased
- (d) Loan from Bank
- (e) Equity shares Issued
- (g) Profit on sale of Assets
- (h) Interest received on Investment [AE]

Ans. (a) Raw Material—Purchase of raw material is outflow of cash because cash is going out of the business.

(b) Depreciation—No inflow and no outflow of cash because depreciation is a non-cash item.

(c) Machinery purchased—Purchase of machinery is outflow because cash is going out of the business.

(d) Loan from bank—Loan taken from bank is an inflow for the business because cash is coming into the business.

(e) Equity shares issued—Issue of equity shares is an inflow because cash is coming into the business.

(f) Excise duty paid—Excise duty paid is an outflow because cash is going out of the business.

(g) Profit on sale of asset—Profit on sale of asset is an inflow because cash is coming into the business.

(h) Interest received on investments—Interest received on investment is an inflow because cash is coming into the business.

(vi) What is 'Startup Cost'? Identify the areas for requirement of Startup Cost. [R]

Ans. Startup cost refers to all non-recurring costs which are directly concerned with the starting of an enterprise. An entrepreneur must create a detailed map of the startup so that all expenses and costs can be determined in advance.

Startup cost is generally required for the following :

- (a) Research expenses, accountant's fees, legal fees and registration charges etc.
- (b) Insurance, license and permit fees
- (c) To arrange fixed assets, equipment and supplies etc.
- (d) Advertising and promotion
- (e) Borrowing costs
- (f) Employee expenses
- (g) Technological expenses

Q. 5. Answer the following in about 250 words

(i) Define the term 'break-even'. [R]

Ans. Break-even is a situation where all expenses of a company are equal to its revenues and there is no profit and no loss to the firm. Break even point shows that a business firm must earn revenues which are equal to its costs. In other words, it is the point at which the company neither makes a profit nor suffers a loss. It is a powerful tool

through which managers plan to recover the costs quickly and then look at the profit ahead.

At the break-even level : Total Revenues = Total costs

The formula for calculating break-even:

Break-even point = Fixed Cost/Contribution Margin

[R] (ii) Explain why break-even analysis is of reduced value to a multi-product firm? Analyse the factors that any business should take into consideration before using break-even analysis as a basis for decision making. [AE]

Ans. Production managers always prefer Break even analysis especially in the manufacturing units. It is calculated by considering fixed cost and variable cost. After finding fixed cost and variable cost, it is compared with the sales revenue in order to determine the level of sale value in units and break-even point is identified. It means that firm has neither made a profit nor a loss.

Technique of Break-even point is important only for manufacturing units where production manager can assess exact units for break even.

Let us take an example to understand that why it is of reduced value to a multi-product firm.

Example: Calculate the break-even point in units and in rupees for the following:

Product	A	B	C
Sales price / unit	30	45	60
Variable cost / unit	15	30	20
Sales mix percentage	30%	30%	40%
Total Fixed cost ₹ 50,000.			

Solution. Contribution margin per unit :

Product	A	B	C
Sales price / unit	30	45	60
Variable cost / unit	15	30	20
Contribution margin	15	15	40
Sales mix percentage	30%	30%	40%

Weighted Average

Contribution Margin 4.5 4.5 16

Total WACM = 4.5 + 4.5 + 16 = 25

Total fixed cost = ₹ 50,000

Break-even point in units of

Sales mix = 50,000/25 = 2,000

Break-even point in units :

Product	A	B	C
Sales mix ratio	30%	30%	40%
Total break even units	2,000	2,000	2,000
Product units at break-even	600	600	800
Break-even in rupees	18,000	27,000	48,000

Points to be kept in mind :

- (a) The proportion of sales mix must be determined.
- (b) The sales mix must not change within the relevant time period.
- (c) All cost can be categorized as variable or fixed.

(d) Sales price per unit, variable cost per unit and total fixed cost are constant.

(e) All units produced are sold.



High Order Thinking Skills (HOTS) Questions

Q. 6. (i) The following information relates to a company, which produces a single product.

Direct labour per unit - ₹ 22/-

Direct materials per unit - ₹ 12/-

Variable overheads per unit - ₹ 6/-

Fixed costs - ₹ 4,00,000/-

Selling price per unit - ₹ 60/-

Use the figures above to show the minimum number of units that must be sold for the company to break even. **A**

Ans. Break-even point = Fixed Cost/Contribution margin

(ii) Distinguish between :

(a) Unit Cost and Unit Price

(b) Expenses and Expenditure

(c) Fixed cost and variable cost

(d) "Profit is not to be considered as inflow". Comment with apt reason.

Ans. (a) Distinction between unit cost and unit price :

Unit Cost	Unit Price
Unit cost is incurred by a business firm to produce, store and sell one unit of sale of a particular product or service.	Unit Price is the price at which one unit of sale is sold.
Examples of unit cost are cost of raw material, packaging material and commission on sales etc.	Examples of unit price are: 1. Simple Tea ₹ 10 2. Green Tea ₹ 50 3. Lemon Tea ₹ 30 4. Black Tea..... ₹ 25

(b) Distinction between Expenses and Expenditures:

Expenses	Expenditures
Expense is the amount paid for those expenses which are beneficial for a short period of time (maximum one accounting year).	Expenditure is the amount paid for acquiring the fixed assets which are beneficial for a longer period of time.
Examples of expenses are: (a) Rent paid (b) Stationery expenses (c) Printing expenses (d) Postage expenses (e) Telephone bill	Examples of expenditure are: (a) Purchase of machinery (b) Purchase of land (c) Purchase of furniture (d) Purchase of building

(c) Distinction between Fixed Cost and Variable Cost:

Fixed Cost	Variable Cost
Fixed cost remain same at any level of production.	Variable cost will increase if production increases and it will decrease if production decreases.
Fixed cost is time related.	Variable cost is volume related.

Fixed Cost = 4,00,000

Variable cost = Direct Labour per unit + direct materials per unit + variable overheads per unit
= 22 + 12 + 6

= 40 per unit

Selling price per unit = 60 per unit

Contribution Margin = Selling price - Variable cost
= 60 - 40
= 20

Break-even point = 4,00,000/20 = 20,000 units

Break-even point in rupees = 20,000 x 60
= 12,00,000

Fixed cost is a compulsory charge which is to be paid whether firm is producing or not.	It will be paid only if firm is producing goods and services.
Example: depreciation, rent, salary, insurance, tax, etc.	Example: Material consumed, wages, commission on sales, packaging expenses, etc.

- (d) Profit cannot be considered as inflow in any business because it is not given by someone to the business, it is generated by the business by putting a lot of efforts. An entrepreneur invests his hard earned money in the business, he takes risk, he takes initiative and he gets profit as a reward of all this. That is why profit is not to be considered as inflow.

Following items may be considered as inflow in the business:

Owners' Equity: The amount by the owner to start a business.

- (1) **Loan Borrowed :** The amount borrowed by the business from the outsiders.

- (2) **Sales Receipts :** Amount received by selling goods and services.

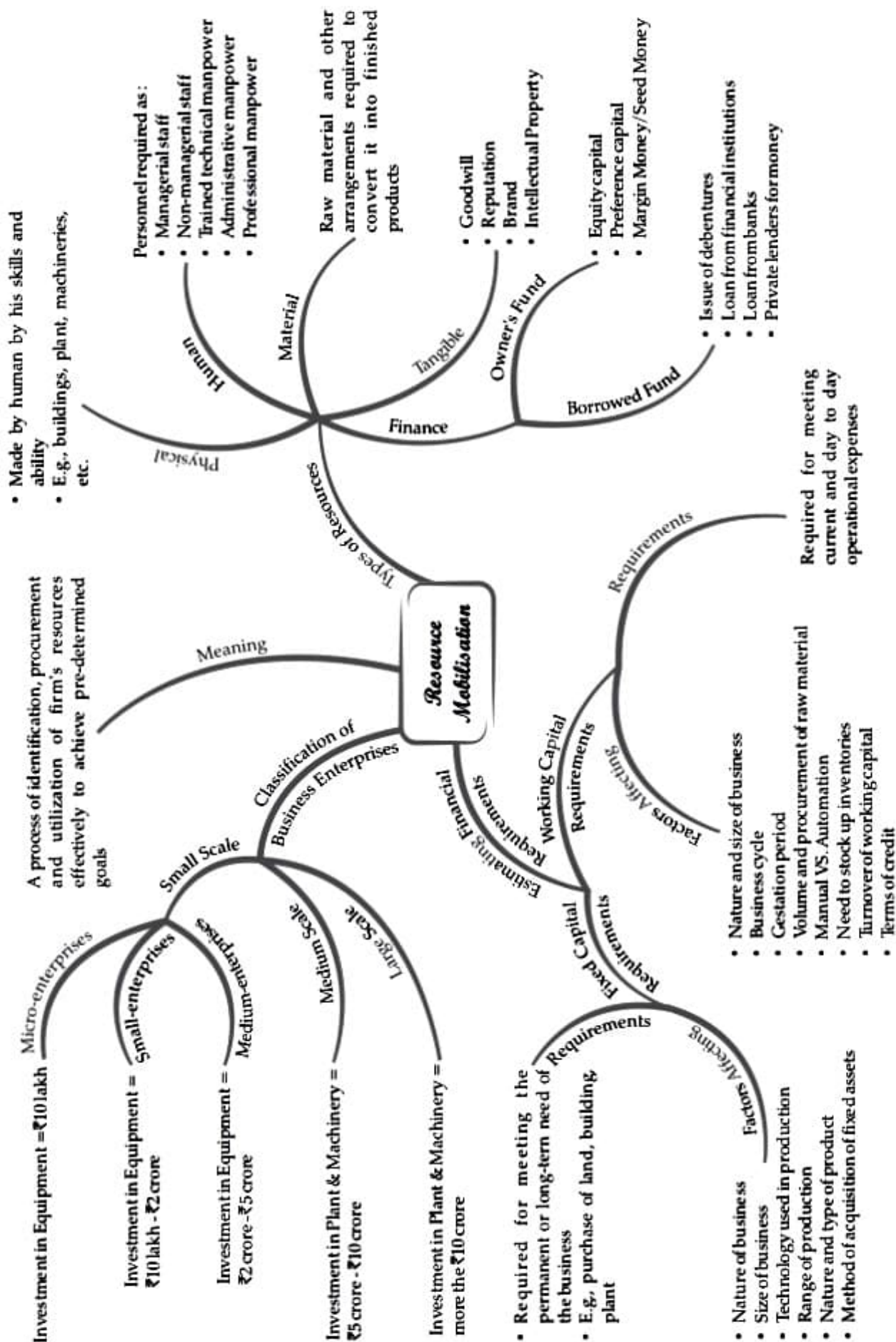
- (3) **Interest Received :** Interest received on any investment.

- (4) **Rent Received :** Money coming in by renting out building or room.

- (5) **Sale of Assets :** cash received by selling assets like furniture, machinery, old car etc.

- (6) **Claims Received :** Amount received in the form of insurance claims like accident claims, fire claims, maturity of insurance policies, etc.

□□



CHAPTER

7

RESOURCE MOBILIZATION

Syllabus

Contents

- *Types of Resources - Physical, Human, Financial and Intangible*
- *Selection and utilization of human resources and professionals like Accountants, Lawyers, Auditors, Board Members, etc.*
- *Estimating Financial Resources requirement*
- *Methods of meeting the financial requirements*
- *Size and capital based classification of business enterprises*

Learning Outcomes

After going through this unit, the student/learner would be able to:

- *Identify the different types of resources tools – Physical and material, Human, Financial, Intangibles.*
- *Discuss the methods to secure business finance.*
- *Appropriate use of debt and equity in estimating the financial requirements of an enterprise.*
- *Explain the difference, advantages and disadvantages of Debt and Equity.*
- *Estimate the financial requirements of an enterprise.*
- *Understand the meaning of fixed and working capital.*



TOPIC-1

Resources & Their Mobilisation

Revision Notes

- 'Resources' are tangible and intangible means required by an organisation which support organisation in different mechanism to achieve pre-determined goals of organisation.
- **Basic resources which are required for any enterprise :**
 - (i) Land
 - (ii) Labour
 - (iii) Capital
- **Other important resources :**
 - (i) Entrepreneurship
 - (ii) Machines
 - (iii) Methods and Technology
 - (iv) Expertise
 - (v) Energy
 - (vi) Information
 - (vii) Management
 - (viii) Material

TOPIC - 1

Resources & Their Mobilisation

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TOPIC - 2

Business Finance and Financial Planning

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TOPIC - 3

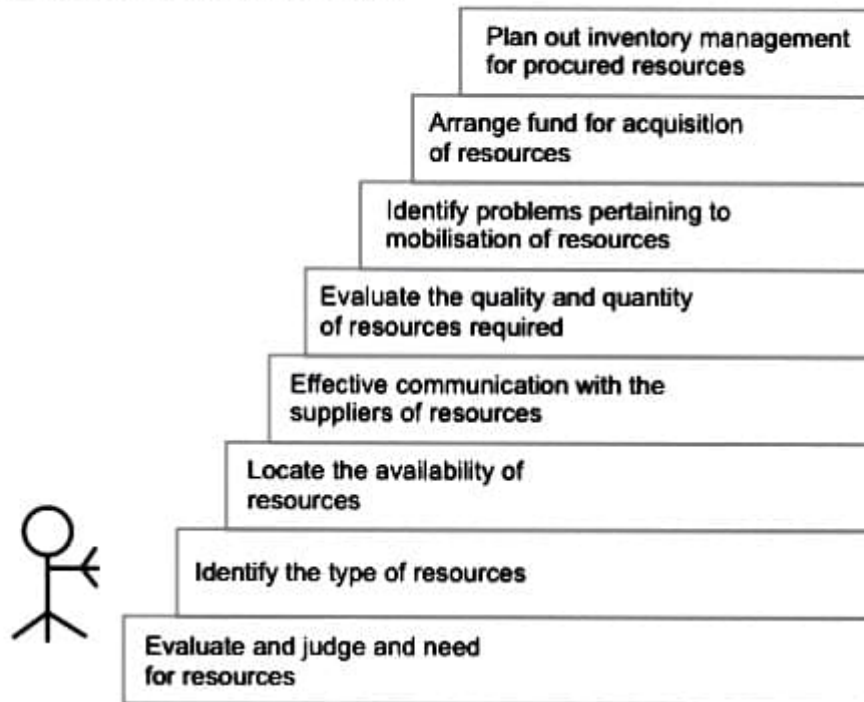
Business and Classification of Business Enterprises

..... P. 113

➤ **Resource Mobilization** : It refers to the process of getting right type of resources at right time and right price from resource provider and making right use of acquired resources so, pre-determined goals of organisation can be achieved on time. It comprises :

- (i) Mobilising the resources;
- (ii) Organising the resources;
- (iii) Managing efficiently and effectively to achieve **pre-determined goals**.

➤ An organisation's resource mobilisation plan should be closely integrated with organisational goals and be chalked out step-by-step as follows :

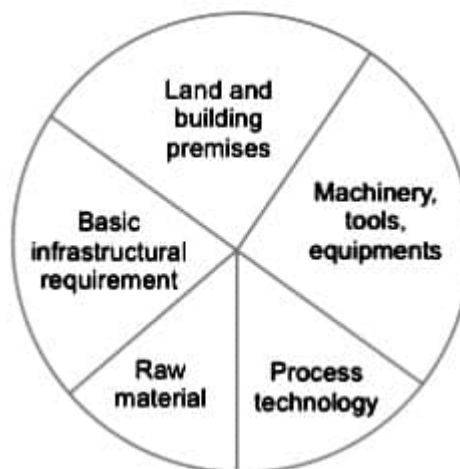


A resource mobilisation plan must follow closely, the vision, mission and goals of the organisation.

➤ **Types of resources** : Resources required to an Entrepreneur can be classified as :

- (i) Physical
- (ii) Human
- (iii) Financial
- (iv) Material
- (v) Intangible

➤ **Physical resources** : These resources are created or produced by humans by using their abilities and skills. They mainly comprises :



➤ **Human Resources** : Human resources comprises whole workforce of organisation. A organisation's performance and resulting productivity are directly proportional to the quantity and quality of its human resource.

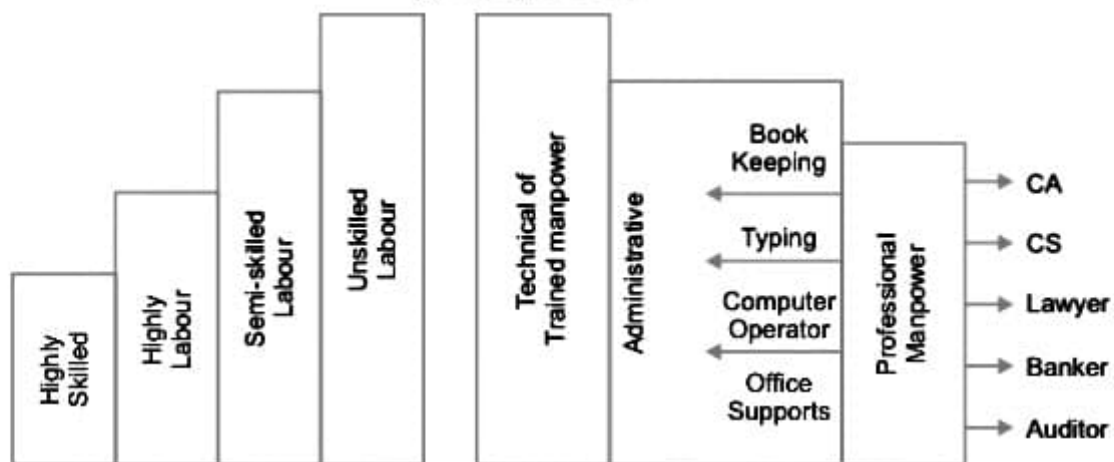
➤ **Factors to be considered to build up efficient personnel** :

- (i) What kind of people does he/she need ?
- (ii) How many people does he/she need ?

- **Manning Table :** It refers to a schedule or table showing number of manpower required in each department and time for which they required.

MANNING TABLE

TOP			Larger the enterprise complicated is the classification, while smaller the unit restricted manpower is required.
Board of Director			
MIDDLE			
President	Marketing Manager		
LOWER			
Chair Person	Production Manager	First Line Inspectors Superintendents	
General Director	Human Resource Manager	Supervisors	
CEO	Financial Manager	Foremen	

(A) Managerial Staff**(B) Non-managerial Staff****(C) Others**

- **Selection of Human Resources :** Strategy, 'right person at right job' comprises :
- Planning and overall job design;
 - Efficient tapping and scientific selection;
 - Appropriate and cost-effective training;
 - Proper induction and orientation;
 - Performance appraisal;
 - Attractive compensation/remuneration scheme;
 - Feedback and scope for development.
- **Utilisation of Human Resources :** For effective utilization of human resource, entrepreneur must decide :
- Total work to be done;
 - Suitable workforce for the work to be done;
 - Employing right people at right job.

- **Financial Resources :** Financial resources are the funds required to bring together personnel, machines, materials, methods, land and convert a dream into reality.
- **Factors affecting Financial Resourcing :**
 - (i) How much finance is needed ?
 - (ii) Term for which finance is required.
 - (a) Short-term (upto 1 year) : to meet working capital requirement.
 - (b) Medium-term (more than 1 year but less than five years) : to meet modernization requirements.
 - (c) Long-term (for five or more than five years) : to meet expansion and diversification plans, conduct research work and procure fixed assets.
- **Sources of Finance :**
 - (i) Owners' funds :
 - (a) Equity capital
 - (b) Preference capital
 - (c) Margin money /Seed money
 - (ii) Borrowed Funds :
 - (a) Issue of debentures
 - (b) Loan from financial institutions
 - (c) Loan from banks
 - (d) Private lenders of money
- **Material Resources :** Material resources are those resources which are required to convert raw material into finished product.
- **Intangible Resources :** Intangible resources are neither felt nor seen but are crucial to establish a strong foothold in the market. They comprises goodwill, brands, reputation, intellectual property, etc.

Know the Terms

- **Managerial Staff :** It is like brain box of the enterprise. Framing policies, objectives and goals etc. are the responsibility of this category of man power.
- **Non-managerial staff :** People who are involved in converting raw material into finished product.
- **Professional Manpower :** Comprises professionals experts, e.g., chartered accountants, auditors, bankers, lawyers.



Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

1. Plant and machinery are examples of _____ resources.. [A]
2. Business Finance involves _____ and utilization of funds. [R]
3. _____ involves employees engaged in any kind of profession, e.g., chartered accountants, auditors, bankers, lawyers etc. [A]

Ans. 1. Physical, 2. Procurement, 3. Professional manpower.

(B) State whether the following statements are True or False:

1. Finance is one of the important prerequisites to short an enterprise. [U]
2. Where finance is required for more than one year but less than 5 years, it is called long-term requirement. [U]

3. Goodwill is an example of intangible resources. [U]

Ans. 1. True, 2. False, 3. True.

(C) Multiple Choice Questions:

1. Which of the following is not come under 'basic resources' for an enterprise? [U]
 - (a) Energy
 - (b) Lan
 - (c) Labour
 - (d) Capital

Ans. (a) Energy

2. The requirement of resources depends upon : [U]

- (a) Nature of activity
- (b) Size of activity
- (c) Product specification
- (d) All of the above

Ans. (d) All of the above

3. Resource Mobilisation advocates upon moral responsibilities of the entrepreneur having: **R**
- (a) the right type of resource

- (b) the resource at right time
- (c) the resources at right price
- (d) All of the above

Ans. (d) All of the above

Short Answer Type Questions-I

(2 marks each)

Q. 1. Why Entrepreneurial tools resources are important for an enterprise? **U**

Ans. Entrepreneurial tools and resources help an enterprise in developing necessary policies and procedures to ensure a safe, organized, convivial, empowering, nondiscriminatory work place. **2**

Q. 2. Give any two advantages of human capital. **U**

Ans. Two advantages of human capital are :

- (i) Increase in the satisfaction level of employees.

(ii) Develop Client Engagement and improvement in organization Communication. **2**

Q. 3. Requirement of resources depend upon some factors. Name some factors. **U**

Ans. The requirement of resources depends upon:

- (i) Nature of activity
- (ii) Size of activity
- (iii) Product specification
- (iv) Type of business activity **2**

Short Answer Type Questions-II

(3 marks each)

Q. 1. How efficient utilization of human resources is possible? **U**

Ans. Efficient utilization of human resources is only possible if the entrepreneur is able to decide:

- (i) What work is to be done?
- (ii) What type of people are required to complete the work?
- (iii) Employing right man at right job. **3**

Q. 2. Give any three examples of borrowed funds. **U**

Ans. Examples of borrowed funds :

- (i) Issue of debentures;
- (ii) Loan from financial institutions;
- (iii) Loan from banks;
- (iv) Private lenders of money. **(Any three) 3**

Long Answer Type Questions-I

(4 marks each)

Q. 1. Explain various categories of employees required by an organisation or enterprise. **U**

Ans. Different categories of employees required by an enterprise :

- (i) **Managerial Staff** : Employee under this category are responsible for framing policies, objectives goals etc. for the enterprise and ensuring their implementation. Employees get the work done from workers and act as brain box of the enterprise.
- (ii) **Non-managerial staff** : Work force who converts the raw material into finished goods comes under the category of non-managerial staff. Nature of job decides the quality and quantity of workers to be assigned.
- (iii) **Trained Technical Manpower** : This constitutes of people who have technological expertise and are frequently required for machinery selection, installation, supervision and operation.
- (iv) **Administrative Manpower** : Administrative manpower does not contribute to production directly but provides assisting services to managerial, professional and trained staff in the maintenance of the enterprise.

(v) **Professional Manpower** : It comprises chartered accountants, auditors, bankers, lawyers. They can be outsourced by the entrepreneur if required because generally, small enterprises can not afford them on their regular payrolls. **(Any four) 4**

Q. 2. Why finance is important for an enterprise? **R**

Ans. Finance is important for an enterprise :

- (i) **To start a business enterprise** : Money required to manage the business activities is called business finance. Finance is very important for smooth functioning and carrying out business activity.
- (ii) **To establish a business** : Proper utilization of financial resources is crucial to establish an enterprise, it is important to identify the different available resources of finance, their costs and risks involved.
- (iii) **To carry day to day business activities** : A business firm must maintain its working capital. Working capital of a business plays important role in the smooth day-to-day operations of the business.
- (iv) **To purchase assets and raw materials** : Higher investment in fixed assets and raw material is required for the higher growth of a business organisation.

- (v) **To modernize a business** : In some industries, some fixed assets like computers, laptops, furniture, plant and machinery become obsolete after some time. In such a case higher investment in fixed assets is required to replace such assets.
- (vi) **To expand and diversify a business** : A business

firm planning to expand/diversify its business activities by adding more range of products may require more fixed capital. For example, an infrastructure company is diversifying and starting a large scale manufacturing unit. In such a case company needs more investment in fixed capital.

(Any four) 4



TOPIC-2

Business Finance and Financial Planning

Revision Notes

- **Business Finance** : It may be defined as process of raising funds and utilizing them effectively to achieve overall objectives of the firm.
- **Need of Finance of a Business** : Finance is required for :
 - (i) Commencement
 - (ii) Day-to-day operation
 - (iii) Modernisation activities
 - (iv) Expansion
 - (v) Diversification
 - (vi) Research and development activities
- **Types of Financing Sources** :
 - (i) **Ownership Financing / Equity based financing ownership** :
 - (a) Ploughing back of profits
 - (b) Equity Shares
 - (c) Preference Shares
 - (d) Seed Capital
 - (ii) **Personal** :
 - (a) Personal Savings
 - (b) Friends and relatives
 - (c) Chit Funds
 - (d) Deposits from Dealers
 - (iii) **Public**
 - (iv) **Venture Capital** :
 - (a) Angel Investors
 - (b) Venture Capitalist
 - (v) **Debt** :
 - (a) Debentures
 - (b) Public Deposits
 - (c) Loan from Bank in the form of:
 - (1) Overdraft
 - (2) Cash Credit
 - (3) Discounting of bills / factoring
 - (4) Loans and advances
 - (5) Term Loan
 - (6) Demand Loan
 - (d) Loan from financial institutions
 - (e) Loan from specialized financial institutions
 - (f) Grants
 - (g) Private Money lenders
 - (h) Trade Credit
- **Finance is also available** :
 - (i) Internally, i.e., sources of finance available within the firm.
 - (ii) Externally, i.e., source of finance available outside the firm.
- **Financial Planning** : Financial planning is the process of determining objectives, policies, procedures, programmes and budgets to deal with financial activities of an organisation.



Scan to know more about this topic

Sources of Finance



Scan to know more about this topic

Estimating Financial Requirements

➤ **Objectives of Financial Planning :**

- (i) Raising of funds
- (ii) Deployment of surplus funds

➤ **Importance of Financial Planning :** It ensures :

- (i) Proper allocation of financial resources;
- (ii) Optimum use of funds;
- (iii) Cost effectiveness;
- (iv) Coordination between the various functional areas of business;
- (v) Avoidance of wastages of resources.

➤ **Financial Plan :** A good financial plan comprises :

- (i) Estimate of capital requirement and the capitalization
- (ii) Decisions regarding capital structure of the enterprises.

➤ **Capital Requirements :** Capital requirements of a firm can broadly be classified as :

- (i) Fixed capital requirements
- (ii) Working capital requirements

➤ **Factors Affecting Fixed Capital Requirements :**

- (i) Nature of business;
- (ii) Size of the business;
- (iii) Technology to be used;
- (iv) Range of production;
- (v) Nature and type of product to be produced;
- (vi) Method of acquisition of fixed assets.

➤ **Sources of Fixed Capital :**

- (i) Issue of shares
- (ii) Issue of debentures
- (iii) Inviting public deposits
- (iv) Ploughing back of profits (in case of existing firms)
- (v) Long term borrowings from banks and financial institutions.

➤ **Factors Affecting Working Capital Requirements :**

- (i) Nature and size of business
- (ii) Business cycle
- (iii) Gestation period
- (iv) Volume and Procurement of raw material
- (v) Manual vs. Automation
- (vi) Need to stock up inventories
- (vii) Turnover of working capital
- (viii) Terms of credit

➤ **Sources of Working Capital**

- (i) Short/medium term borrowing from commercial banks/financial institutions.
- (ii) Public deposits
- (iii) Other finance companies
- (iv) Form internal sources

➤ **Capitalisation :** It refers to the total amount of securities issued by a firm which comprises the ownership capital and borrowed capital as represented by long term indebtedness. It determines the optimum amount of funds required.

➤ **Capital Structure :** It refers to the composition of different types of securities whether owned and borrowed and the proportionate amounts that make up capitalization.

➤ **Patterns of Capital Structure :**

- (i) Equity share only;
- (ii) Both equity and preference shares;

- (iii) Equity and debentures;
- (iv) Equity, preference and debentures.

Know the Terms

- **Fixed Capital:** Fixed capital is the funds required for the acquisition of those assets that are to be used over and over for a long period.
- **Working Capital:** Working capital is that part of capital which is required for meeting out day-to-day operational expenses.



Objective Type Questions

(1 mark each)

(A) Fill in the Blanks:

- _____ may be defined as the acquisition and utilization of capital funds, keeping in view the overall objectives of business enterprise. **R**
- _____ refers to that part of the capital which is needed for the financing of current requirements of the enterprises. **R**
- Q1** _____ is the capital raised by a startup in its very nascent stage. **R**

Ans. 1. Business Finance, 2. Working Capital,
3. Seeding Capital.

(B) State whether the following statements are True or False:

- Business finance provides access to all other resources. **U**
- The type or nature of business determines the fixed capital requirement in the business. **U**
- Subhiksha was started in 1997, having 1600 retail outlets selling grocery, fruits, vegetables, medicines, mobile phones etc. But it was closed down in 2009 due to severe cash crunch and financial mismanagement. The reason behind this was inability of the firm to procure and utilize funds properly. **AE**

Ans. 1. True, 2. True, 3. True.

(C) Multiple Choice Questions:

- Which of the following is not the source of borrowed funds : **U**
 - Loans from financial institutions
 - Issue of debentures
 - Trade credit
 - Seed money

Ans. (d) Seed money

Q1 2. Fixed capital requirement in a firm depends on : **R**

- Size of the business
- Nature of the business
- Technology to be used
- All of the above

Ans. (d) All of the above

3. Working capital requirement will be larger in: **A**

- Labour intensive industries
- capital intensive industries
- both (a) and (b)
- neither (a) nor (b)

Ans. (a) Labour intensive industries



Short Answer Type Questions-I

(2 marks each)

Q. 1. State any two objectives of financial planning. **R**

Ans. Financial planning as a process of formulating a financial plan of procurement and disbursement of funds, is devised to achieve the following objectives :

- To establish effective control on financial matters;
- To build up reserve for future contingencies. **2**

Q. 2. Differentiate internal sources and external sources of funds. Give examples also. **R**

Ans. **Internal Sources :** These sources of finance or capital are generated internally by the business, e.g., retained profits, past savings, sale of stock, etc.

External Sources : These sources of finance or capital are financing options outside the firm's own resources, e.g., equity, venture capital, loans, etc. **2**



Short Answer Type Questions-II

(3 marks each)

Q. 1. What are the mandatory factors for an entrepreneur to explore in detail for formulating financial plan. **U**

Ans. The proper planning for procurement and disbursement of funds make it mandatory for the entrepreneur to explore in detail the following

three aspects :

- (i) **How much money is needed** : The total required amount of funds for commencing the business and implementing the business plan.
- (ii) **Where the money will come from** : Comprise decisions regarding capitalization and capital structure for collecting desired amount of funds.
- (iii) **How can the firm utilize these funds in the best possible manner** : Involves effective utilization and administration of capital, keeping in view the overall objectives of the firm. **3**

Q. 2. Kajal is running a business manufacturing bike tyres. She is now want to diversity into the manufacturing of car tyres. Advice him regarding the various financial needs she will encounter while diversifying and also the sources of availing these needs. **C**

Ans. Kajal will encounter the financial need of fixed capital as well as of working capital.

Sources of Fixed Capital :

- (i) Issue of shares;
- (ii) Issue of debentures;
- (iii) Inviting public deposits;
- (iv) Ploughing back of profits;
- (v) Long term borrowings from banks and financial institutions.

Sources of Working Capital :

- (i) Short Medium term borrowings from commercial banks / financial institutions;
- (ii) Public deposits;
- (iii) Other finance companies;
- (iv) From internal sources. **3**



Long Answer Type Questions-II

(6 marks each)

Q. 1. Explain the different stages of business development funding. **U**

Ans. Stages of Business Development Funding :

- (i) **Early-Stage Financing :**
 - (a) **Seed Capital** : Relatively small amounts to prove concepts and to finance feasibility studies.
 - (b) **Start up** : Product development and initial marketing, but with no commercial sales yet : finding to actually get company operations started.
- (ii) **Stage of Expansion or Development Financing :**
 - (a) **Second** : Working capital for initial growth phase, but no clear profitability or cash flow yet.
 - (b) **Third** : Major expansion for company with rapid growth at break even or positive profit levels.
 - (c) **Fourth** : Bridge financing to prepare company for public offering.
- (iii) **Acquisitions and Leveraged Buyout Financing (Diversification, Research Development)**
 - (a) **Traditional acquisitions** : Assuming ownership and control of another company.
 - (b) **Leveraged Buyouts (LBOs)** : Management of a company acquiring company control by buying out the present owners.
 - (c) **Going Global/Private** : Some of the owners/managers of a company buying all the outstanding stock, making the company, privately held again, franchising, foreign collaborations, joint ventures, merges etc. **6**

Q. 2. "Capital Structure decision is essentially optimization of risk-return relationship". Comment. **U**

- Ans.**
- (i) The term 'Capital Structure' is concerned with the total long term investment in a business firm. Capital structure refers to the mix between owners (equity) and borrowed funds (debts).
 - (ii) Capital structure is the permanent financing of the firm, represented by the long term debts, preferred stock and net worth.
 - (iii) Capital structure of a company affects both the profitability and the financial risk. A capital structure will be said to be optimal when the proportion of debt and equity is such that it results in an increase in the value of the equity share.
 - (iv) The cost of debt is lower than the cost of equity because the lender's risk is lower than the equity shareholder's risk, since the lender earns an assured return and repayment of capital and therefore, they should require a lower rate of return.
 - (v) Debt is cheaper but more risky for a business firm because the payment of interest and the return of principal amount. Any default in meeting these commitments may force the business to go into liquidation. There is no such compulsion in case of equity.
 - (vi) Equity is riskless for the business. If a business firm uses more debt, it will increase the fixed financial charges of business. As a result, there will be more financial risk for business. **6**

Q. 3. You are the Financial Manager of a newly established company. The directors have asked you to determine the amount of working capital requirement for the company. Explain any four factors that you will consider while determining the working capital requirements of the company. **A**

Ans. Requirement of working capital depends upon following factors:

- (i) **Nature of Business** : Requirement of working capital is depend upon the nature of business.
 - (a) A business firm involved in trading or retail business requires less working capital because length of operating cycle is small.
 - (b) A manufacturing unit needs more working capital because firm will buy raw material and then convert it into semi-finished or finished goods.
 - (c) Wholesalers require more working capital to maintain the stock and most of the time they sell goods on credit.
- (ii) **Scale of operations** : Requirement of working capital is depend upon the scale of operations.

- (a) More working capital is required if a business firm operating at a large scale.
- (b) A business firm operating at a small level need less amount of working capital.
- (iii) **Business Cycle** : Requirement of working capital also depend upon different phases of business cycles.
 - (a) In case of boom, large amount of working capital is required.
 - (b) In case of depression, less amount of working capital is required.
- (iv) **Seasonal Factors** : Seasonal factors play important role in the working capital requirement.
 - (a) In peak season, more working capital is required because of higher level of activities.
 - (b) During lean season, less working is required. 6



TOPIC-3

Business and Classification of Business Enterprises

Revision Notes

- **Business** : Business is defined as an human activity directed towards producing or acquiring wealth through buying and selling of goods.
- **Classification on basis of size (on the basis of volume of capital invested)** :
 - (i) Small Scale
 - (a) Tiny sector
 - (b) Ancillary/Auxiliary small units
 - (c) Micro business
 - (d) Small Scale Service and Business (industry related) Enterprise
 - (e) Small-Scale Industries owned and managed by women entrepreneur
 - (f) Export-Oriented Industry
 - (g) Cottage and Rural Industry
 - (ii) Medium Scale
 - (iii) Large Scale
- The Indian Micro and Small Enterprise (MSEs) sector plays pivotal role in the country's industrial economy.
- A Small-Scale Services and Business (industry related) Enterprises are ones as follows :
 - (i) **Micro-enterprises** : Investment in equipment does not exceed ₹ 10 lakh.
 - (ii) **Small enterprises** : Investment in equipment is more than ₹ 10 lakh but does not exceed ₹ 2 crore.
 - (iii) **Medium enterprises** : Investment in equipment is more than ₹ 2 crore and less than 5 crore.



Know the Terms

- **Small Scale Industry** : The individual unit whose investment in plant and machinery does not exceed ₹ 5 crore.
- **Medium Scale Industry** : The unit where the investment in plant and machinery is more than ₹ 5 crore but doesn't exceed ₹ 10 crore.
- **Large Scale Industry** : The unit where the investment in plant & machinery exceeds ₹ 10 crore is said to be a large scale industry.

Short Answer Type Questions-I

(2 marks each)

Q. 1. Explain the privileges enjoyed by tiny sector. [U]

Ans. Tiny sector enjoys state patronage continuously in form of :

- (i) land allotment;
- (ii) electricity connection;
- (iii) technology upgradation;
- (iv) monetary help from financial institutions; and
- (v) getting priority in the list of government purchase orders.

2

Q. 2. Define small-scale industry. Give any two examples. [U]

Ans. Any industry in which investment in plant and machinery does not exceed ₹ 5 crore, is considered as small scale industry.

Examples :

- (i) Hosiery factories in / Ludhiana;
- (ii) Carpet making factories in Panipat;
- (iii) Glass making factories in Uttar Pradesh.

2

Commonly Made Error

- Students write tiny sector, cottage industries, etc. as examples of small scale industries.

Answering Tip

- Write examples of SSIs which exists in real life.

Long Answer Type Questions-I

(4 marks each)

Q. 1. Write a short note on Micro, Small and Medium Enterprises ? [B]

Ans. In accordance the provision of Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes :

- (i) **Manufacturing Enterprises** : The enterprises engaged the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951). The Manufacturing Enterprises are defined in terms of investment in Plant and Machinery.
- (ii) **Service Enterprises** : The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

Manufacturing Sector	
Enterprises	Investment in plant and machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees

Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees
Service-Sector	
Enterprises	Investment in equipment
Micro Enterprises	Does not exceed ten lakh rupees
Small Enterprises	More than ten lakh rupees, but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees, but does not exceed five crore rupees

Q. 2. Gaytri is running SSI engaged in the manufacturing of glass 57% of the share capital of this unit is jointly owned by her cousin and her daughter. [AE]

- (i) Identify the form of SSI in above para.
- (ii) What form of concessions is the above unit entitled to ?

Ans. (i) Gaytri is running women enterprise. If a small-scale industry's more than 51% Share capital is owned by women or a group of women, individually or jointly, then it is referred to as a 'women enterprise.

- (ii) Form of concessions :
 - (a) Low rate of interest on loans;
 - (b) Easy repayment facilities.

4

CBSE Textbook Questions

Mobilisation of Resources

Q. 1. Answer in not more than 15 words:

- (i) Define the term 'resources'. [U]

Ans. Resources refers to tangible or intangible means which are required to undertake the activities of an enterprise or business processes and to achieve desired outcome.

(ii) Why do entrepreneurs need resources? [U]

Ans. Resources are life blood of any economic activity. Without resources, business processes can not be performed and an enterprise may face problem and failure in achievement desired outcome if it is unable to arrange the required resources. Entrepreneurs should make adequate

preparations for resource mobilization to be effective.

- (iii) What do you mean by 'mobilisation of resources'? [U]

Ans. Mobilisation of resources is concerned with making good contacts and networks and garnering the interest, support and in-kind contributions, important to an enterprise. A business firm should prepare itself strongly for resource mobilization to be effective and to ensure they are maximizing all opportunities.

- (iv) Name two state level organisations, which provide information about the infrastructural facilities. [R]

Ans. Two state level organisations:

- (a) DIC (District Industries Centre),
- (b) EB (Electricity Board)

- (v) How can an entrepreneur procure professional assistance? [U]

Ans. An entrepreneur can procure professional assistance through :

- (a) Contractual arrangements;
- (b) Third party arrangement;
- (c) Lease basis;
- (d) Captive unit arrangement;
- (e) Part time arrangement;
- (f) Regular basis.

Q. 2. Answer in not more than 50 words

- (i) What are physical resources? Give two examples. [U]

Ans. Resources which are not natural but made by the human through his abilities and skills are called physical resources.

Examples of Physical Resources are :

- (a) Land and Building;
- (b) Plant and Machinery;
- (c) Technology and equipment. (Any two)

- (ii) What factors help in determining the resources required? [R]

Ans. Factors which help in determining the resources:

- (a) Nature of his/her business
- (b) Size of the business
- (c) Technology to be used in production
- (d) Range of production
- (e) Type of product to be manufactured
- (f) Method of acquisition of fixed assets

- (iii) What basic resources are required to commence any enterprise? [R]

Ans. Basic resource which are required for any enterprise :

- (a) Land
- (b) Labour
- (c) Capital

Other Important resources :

- (a) Machine
 - (b) Methods and Technology
 - (c) Expertise
 - (d) Information
 - (e) Management
 - (f) Entrepreneurship
 - (g) Materials
 - (h) Energy
- (iv) Enlist any four expert professional assistance required to start a school. [R]

Ans. Expert professional assistance required to start a school:

- (a) Expertise in specialized education, knowledge, judgment and skill;
 - (b) Mental and intellectual strength;
 - (c) Professional workforce and attitude;
 - (d) Good capital resource intensity.
- (v) Name any four factors to be kept in mind while selecting physical resources. [R]

Ans. Four factors to be kept in mind while selecting physical resources :

- (a) Cost of capital;
- (b) Access to other resources;
- (c) Transportation and communication cost;
- (d) Availability of manpower and its cost i.e. wages and salaries to be paid;
- (e) Cost of production;
- (f) Availability of other utilities like water, gas, fuel etc.
- (g) Access to market for both raw material and finished goods;
- (h) Pollution concerns included. (Any four)

Q. 3. Answer in not more than 75 words:

- (i) Why does an Entrepreneur need expert professional services? [AE]

Ans. Business environment is changing very fast and level of competition is too high. Specialization is the demand of time. An entrepreneur alone cannot be part of each and every activity of the business. He needs professional assistance to get competitive advantage. It is difficult for an entrepreneur to excel in all areas like production, distribution, marketing and research etc. So the better option to take help of professionals in different areas to make his business successful.

- (ii) What is said to be an 'efficient utilization of human resources'? [U]

Ans. The concept of efficient utilization begins with the appointment of employees, managers, technical staff and administrative staff. Requirement of manpower depend upon the size and nature of enterprise. Efficient utilization of human resources is only possible if the entrepreneur is able to decide:

- (a) What work is to be done?
- (b) What type of people are required for such type of work?
- (c) Employing right man at right job.

Q. (iii) Why should entrepreneurs ensure that there is a "right individual at the right job"? **U**

Ans. In any organization, people are required to perform the tasks. The concept of 'Right Man on the Right Job' is concerned with the recruitment, selection, development, training and compensation of employees. It is the process of finding the right people for the right job because only right people can take a business firm to the top level. For the success of an enterprise it is necessary to fill various positions with the right kind of people. Basically, through staffing, a business firm fills the vacant positions as shown in the organization structure. The ability of a business firm to achieve its objectives & goals depends upon the quality of its human resources.

Q. 4. Answer in not more than 150 words:

(i) Define 'intangible resources'. What do they generally comprise of? **U**

Ans. Intangible resource refers to property or legal rights owned by an individual or a company to which money value can be attached. These are the resources owned by a business at a measurable money cost. Examples of intangible resources are: Copyright, Trademark, Goodwill, Patents, etc.

Goodwill : It means good name or good reputation of the business which it has earned over the years. Though it is generally not present in case of new entrepreneurs. But if he is acquiring or entering into a partnership or some alliance, he may benefit from the goodwill of his associate, if any.

Intellectual Properties : It consists of patents, trademark and copyrights. These assets play important role in the image building of the firm and in earning more profits.

(ii) With reference to utilization of resources, state any four moral responsibilities of the entrepreneur. **U**

Ans. Entrepreneur pays a big amount to arrange different resources. He always ensure the best use of resources. First he needs some basic resource i.e. land, labour and capital for which he has to pay a huge amount. He must ensure that resources are

used in such a way that there is no wastage and firm makes a good profit. In context to utilization of resources, he must fulfill the social and moral responsibilities too.

Four moral responsibilities of entrepreneur:

- (a) Pollution control
- (b) Safe environment
- (c) Honesty
- (d) No wastage of valuable resources

Q. 5. Answer in not more than 250 words:

Q. (i) What are material resources? While planning state the important decisions to be made by the entrepreneur. **U**

Ans. Before starting the production process, all material resources should be arranged and organized for the production. Production process should be followed strictly by using the material resources i.e. raw material, machines, processing and assembling, tools of production and power etc. Before starting the process of converting raw material into finished goods, an entrepreneur must keep some factors in his mind.

- (a) Nature and size of the business
- (b) Production capacity and identification of machinery and the technical know-how.
- (c) Technical training involved.
- (d) Quality control systems required.
- (e) Type of technical staff required.
- (f) Maintenance cost.
- (g) Availability of spares parts and support services (after sale services)
- (h) Normal wear and tear of assets.
- (i) Type and availability of raw material.
- (ii) **Procurement of physical resources is not easy. Giving reasons, state what is required to be planned for this procurement.** **U**

Ans. Procurement of physical resources is not easy because huge amount is required to acquire these resources. Infrastructure is also an important issue for an entrepreneur. It is always difficult to arrange all resources at one place. These resources are made by human beings by using their abilities and skills. These resources are required by an enterprise at the start up stage of the business.

Examples of physical resources are:

- (a) Land and building
- (b) Plant and machinery
- (c) Technology
- (d) Raw material
- (e) Equipment
- (f) Infrastructure

A strong planning is required for careful selection of physical resources because many allied issues are influenced by the 'place', selected, such as:

- (a) Cost of the capital
- (b) Arrangement and accessibility of other resources
- (c) Cost of transportation and communication means
- (d) Availability of manpower at affordable cost
- (e) Production cost
- (f) Availability of other utilities like water, gas, fuel etc.
- (g) Availability of raw material and finished goods
- (h) Issues regarding pollution

Estimating Financial Requirements

Q. 1. Answer in not more than 15 words:

- (i) Define 'Capitalisation'. U

Ans. In the words of Lillin Doris, "Capitalisation of a corporation comprises the ownership capital and the borrowed capital as represented by long-term indebtedness. It may also mean the total accounting value of capital stock surplus in whatever form it may appear and funded long-term debt."

- (ii) Define the term "Business Finance". U

Ans. Money required to manage the business activities is called business finance. Finance is very important for smooth functioning and carrying out business activity. Finance is needed to start a business, to run it, to establish it, to expand it, to modernize and diversify it. The main crucial point is 'availability of finance' because survival and growth of business depend on it.

- (iii) What is meant by 'Capital Structure'? U

Ans. The term 'Capital Structure' is concerned with the total long term investment in a business firm. Capital structure refers to the mix between owners (equity) and borrowed funds (debts). Hence, capital structure is the permanent financing of the firm, represented by the long term debts, preferred stock and net worth.

- (iv) Name the plan that shows the inflows and utilization of funds. R

Ans. Plan that shows inflows and utilisation of funds is known as financial plan.

Q. 2. Answer in not more than 50 words:

- (i) Why is finance required for business? U

Ans. Finance is important for any business for the following purposes:

- (a) To start a business enterprise.
- (b) To establish a business.
- (c) To carry day to day business activities.
- (d) To purchase assets and raw materials.

- (e) To modernize a business.

- (f) To expand a business.

- (g) To diversify a business.

- (ii) Enlist the major areas of financial decision-making by the entrepreneur. R

Ans. The Major areas of financial decision making are:

- (a) Funds requirement decision

- (b) Financing decisions

- (iii) The nature of business affects the requirement of fixed capital. Give two examples to support this observations. C

Ans. Yes, nature of business affects the requirement of fixed capital. Before making any decision about the finance, an entrepreneur must keep in mind the nature and size of the business. It may be:

- (a) Trading Firm

- (b) Manufacturing Unit

- (c) Services Provider

Requirement of finance is different in case of trading firm, manufacturing firm and a service provider firm.

Finance plays important role in acquiring the fixed assets for a manufacturing business. For example, if a firm takes budgeting decision to invest a sum of 25,00,000 in fixed assets, it will help in raising the size of fixed assets. In case of a service provider, requirement of finance may be lesser.

Q. 3. Answer in not more than 75 words:

- Q1 (i) How is "Capitalisation" different from "Capital Structure"? U

Ans. The term 'Capital Structure' is concerned with the total long term investment in a business firm. Capital structure refers to the mix between owners (equity) and borrowed funds (debts). Hence, capital structure is the permanent financing of the firm, represented by the long term debts, preferred stock and net worth.

Capitalisation of a corporation comprises the ownership capital and the borrowed capital as represented by long-term indebtedness. It may also mean the total accounting value of capital stock surplus in whatever form it may appear and funded long-term debt.

Q. 4. Answer in not more than 150 words:

- (i) What are the objectives of financial planning? U

Ans. Main objectives of financial planning:

- (a) To ensure availability of funds whenever required : The main purpose is to estimate the funds required for different purposes i.e. purchase of long term assets or to meet the day-to-day expenses of business.

- (b) **To see that the firm does not raise resources unnecessarily** : Excess funding is dangerous for the health of business. Through good financing

planning, surplus money can be used in the best possible way.

- (ii) **Differentiate between the Fixed Capital Requirement and Working Capital Requirement on the following basis :**

- Meaning and scope
- Nature
- Duration
- Sources of procurement used.

Ans. Distinction between the Fixed Capital Requirement and Working Capital:

Basis	Fixed Capital	Working Capital
Meaning and Scope	Investment in long term assets is known as fixed capital i.e. Land and Building, Plant and Machinery, Furniture and Fixtures, etc. These assets are not meant for re-sale. These assets are required for long term use and some assets are used to produce goods.	Working capital can be defined as the excess of current assets over current liabilities. Working capital of a business plays important role in the smooth day-to-day operations of the business.
Nature	Requirement of fixed capital depends upon the type of business i.e. trading concern, manufacturing organisation or service provider agencies etc. A trading concern needs lower investment in fixed assets in comparison of a manufacturing firm.	How much working capital is required in a business firm, depends upon the length of the operating cycle of business.
Duration	Fixed capital is required for a longer time period.	Working capital is required for a short period of time i.e. to meet day to day expenses.
Sources of procurement used	Fixed assets should be financed through long term sources only i.e. equity or preference shares, debentures and long term loans, etc.	Working capital is the part of cash in hand available in the firm.

- Q. (iii)** State whether the following require small or large working capital. Answer should be supported by a valid reason: **AE**

- Selling ice-creams;
- Following a liberal credit policy;
- Dealing in stainless steel wares;
- Using capital intensive technology.

Ans. Requirement of working capital:

- A small amount is required as working capital in case of selling ice-creams business. Ice-cream is not a very costly product and do not need heavy investment in it.
- Large amount of cash is required as working capital in the business because firm is following a liberal credit policy.
- Big amount is required for stainless steel wares because product is very costly and there is need to stock up inventories.
- Big amount is required if business firm using capital intensive technology. Huge amount is required to buy machines and technology.

Q. 5. Answer in not more than 250 words:

- (i) **Discuss the factors that determine the amount of working capital required by an enterprise.** **U**

Ans. Important factors that determine the amount of working capital:

- Nature of Business** : Requirement of working capital is depend upon the nature of business.
 - A business firm involved in trading or retail business requires less working capital because length of operating cycle is small.
 - A manufacturing unit needs more working capital because firm will buy raw material and then convert it into semi-finished or finished goods.
 - Wholesalers require more working capital to maintain the stock and most of the time they sell goods on credit.
- Scale of operations** : Requirement of working capital is depend upon the scale of operations.
 - More working capital is required if a business firm operating at a large scale.
 - A business firm operating at a small level need less amount of working capital.
- Business Cycle** : Requirement of working capital also depend upon different phases of business cycles.
 - In case of boom, large amount of working capital is required.

- (2) In case of depression, less amount of working capital is required.
- (d) **Seasonal Factors** : Seasonal factors play important role in the working capital requirement.
 - (1) In peak season, more working capital is required because of higher level of activities.
 - (2) During lean season, less working is required.
- (e) **Production Cycle** : There is always a time gap between receipt of raw material and its conversion into finished goods. This time gap is called production cycle.
 - (1) In case of a long production cycle, more working capital is required because more funds are required to buy raw materials and to meet the expenses.
 - (2) In case of a shorter production cycle, less working capital is required.
- (f) **Credit Allowed** : Requirement of working capital also depend upon the credit terms allowed to the customers.
 - (1) If a business firm adopts a liberal credit policy, it will result in less liquidity and higher amounts of debtors. In such a case more working capital is required.
 - (2) If a business firm adopts short term credit policy, less working capital is required.
- (g) **Credit Availed** : Requirement of working capital also depend upon the credit term allowed by suppliers to the business firm.
 - (1) More working capital is required if credit term is shorter.
 - (2) Less working capital is required if liberal credit terms are available to the firm.
- (h) **Availability of Raw Material** : If raw material is available continuously and on time, it will help in maintaining lower level of stock. If raw material is not available continuously and on time, in such a case higher stock levels may be required. In addition, the time lag between the placement of order and the actual receipt of the materials is also an important factor, hence, more working capital is required.
- (ii) **Explain the term 'Fixed Capital Requirement'. Discuss the factors to be kept in mind while planning for fixed capital.** U

Ans. Fixed capital includes the assets such as machinery, building and equipment etc., required for start up and the smooth functioning of the business. Fixed capital plays important role in generating more revenue for the firm. Fixed assets should be financed through long term sources only i.e. equity or preference shares, debentures and long term loans, etc.

Factors affecting the requirement of Fixed Capital

- (a) **Nature of Business** : Requirement of fixed capital depends upon the type of business i.e. trading concern, manufacturing organisation or service provider agencies, etc. A trading concern needs lower investment in fixed assets in comparison of a manufacturing firm.
- (b) **Scale of Operations** : Requirement of fixed capital is depend upon the scale of operations. A business firm operating at a higher scale needs more fixed capital i.e. more space, bigger plant and machinery, etc.
- (c) **Choice of Technique** : Some organisations are capital intensive whereas others are labour intensive. A business firm adopting capital intensive technique requires more fixed capital. On the other hand a business firm adopting labour intensive technique requires less investment in fixed assets.
- (d) **Technology Upgradation** : In some industries some fixed assets like computers, laptops, furniture, plant and machinery become obsolete after some time. In such a case higher investment in fixed assets is required to replace such assets.
- (e) **Growth Prospects** : Higher investment in fixed assets is required for the higher growth of a business organisation. A business firm needs more fixed capital to expand its business.
- (f) **Diversification** : A business firm planning to diversify its business activities by adding more range of products requires more fixed capital. For example, an infrastructure company is diversifying and starting a large scale manufacturing unit. In such a case company needs more investment in fixed capital.
- (g) **Financial Alternatives and Leasing Facility** : A business firm needs a huge amount to purchase fixed assets but if these assets are available on lease (Rent) the firm pays lease rentals and uses it. By doing so, a business firm avoids huge investment required to purchase these assets.
- (h) **Level of Collaboration** : When a business firm prefers collaboration or joint venture then it needs less fixed capital because they will share the expenditure of fixed assets i.e. plant and machinery, land and building, furniture and other costly equipment etc.

- AT** (iii) **'An ideal capital structure is the result of great, planning and team work'. What factors are required to be planned and paid attention at this time.** U

Ans. Capital structure is concerned with the financing pattern and different sources of raising funds. Capital structure means mix between owners' funds (equity) and borrowed funds (debentures, loan, public deposits etc.).

Factors Affecting the Choice of Capital Structure

- (a) **Cash Flow Position** : Before borrowing funds, a business firm must ensure that it will generate enough cash flow. After meeting the payments a business firm should have sufficient cash in hand also.

A business firm required enough fund for :

- (1) Normal business operations
 - (2) For investment in fixed assets
 - (3) For payment of interest
 - (4) For repayment of principal amount.
- (b) **Interest Coverage Ratio (ICR)** : Interest Coverage Ratio is concerned with the number of times earnings before interest and taxes of a company covers the interest obligation.

Interest Coverage Ratio can be calculated as :

$$\text{ICR} = \text{EBIT} / \text{Interest}$$

- (1) Higher ratio indicates that company will be able to meet its interest payment obligation.
- (2) Lower ratio indicates that company may face difficulty in meeting its interest payment obligations.

However, this ratio is not a proper measure because a firm may have a high EBIT but low cash balance.

- (c) **Debt Service Coverage Ratio** : The main purpose of Debt Service Coverage Ratio is to take care of deficiencies referred to in the interest coverage ratio. Total cash generated is compared with the amounts payable (for the services of debt and preference share capital).


Debt Service Coverage Ratio is calculated as:

$$\text{Net Operating Income} / \text{Annual Debt Obligation}$$

- (1) Higher ratio indicates that company is able to meet its cash commitments.
 - (2) Higher ratio also indicates the potential of company to increase the debt component in its capital structure.
- (d) **Return on Investment (ROI)** : The ability of company to use debt will be greater if the Return on Investment of the company is higher. In such a situation company can use more debt to increase its Earning Per Share (EPS). But if Return on investment is less, in such a case use of more debt will reduce the Earning per share.
- (e) **Cost of Debt** : If a firm is able to borrow funds at a lower rate than it will increase its capacity to employ higher debt. In such a case company can use more debt because cost of debt is low. On the other hand if cost debt is high company will use less debt but more equity.
- (f) **Tax Rate** : Cost of debt is directly affected by the tax rate. Higher tax rate makes debt cheaper

because interest payable on debt is deducted from the income before calculating tax. Low tax rate makes debt costly and equity cheaper.

- (g) **Cost of Equity** : A business firm cannot use debt beyond a point, but if it uses debt beyond that point than cost of equity will be very high and price of share will go down. To provide sufficient return to the shareholders a business firm should use debt only upto a level otherwise cost of equity will very high and return will be very low.
- (h) **Flotation Costs** : Issue of shares and debentures to public involves some cost. In simple words, a business firm pays some expenses to arrange funds for the business. Getting loan from a financial institution may not cost so much. Cost of debt and equity should be kept in mind while making the choice between debt and equity and hence the capital structure.

- (iv) **Explain the meaning of 'Working Capital'. Briefly state any four factors that help determining the working capital requirement of a company.** 

Ans. Working capital can be defined as the excess of current assets over current liabilities. Working capital of a business plays important role in the smooth day-to-day operations of the business. How much working capital is required in a business firm is depend upon the length of the operating cycle of business.

Factors helps in determining the working capital:

Refer to Q. 5. (i) on Pg. No. 103

Sources of Finance

Q. 1. Answer in not more than 15 words:

- (i) **What is public financing?** 

Ans. When an entrepreneur invites general public to invest in his venture or invest in his business it is known as public financing. The depositors have no rights in management and are like creditors of the company.

- (ii) **Define debentures as a source of finance.** 

Ans. A debenture is a great source of finance for an entrepreneur. A debenture is a written document that either creates a debt or acknowledges it. In corporate finance, the term is used for a medium to long-term debt used by large companies to borrow money.

- (iii) **Why is Equity Share capital called 'Risk Capital'?** 

Ans. Equity share capital is called 'Risk Capital' because it involves 100% risk on investment. There is no guarantee of return on the share capital. Shareholders may get a good return on their investment as well as they may face huge loss of capital depend upon the market circumstances.

(iv) From which type of capital are raw-materials purchased? **A**

Ans. Working capital is used to buy raw materials for the business. The requirement of working capital is not same in all business firms. It varies from one business firm to another. If requirement of raw material is more then there should be more working capital in the business.

Q. 2. Answer in not more than 50 words:

(i) On the basis of duration, classify the sources of finance. **AE**

Ans. Sources of finance as per the duration:

- (a) Share Capital–Long Term Finance
- (b) Debentures–Long-term Finance
- (c) Bank overdraft–Short-term Finance
- (d) Cash Credit–Short-term Finance
- (e) Public Deposits–Long-term Finance
- (f) Bank Loan–Long-term Finance

Q. 2 (ii) What are the major sources of capital of a Public Limited Company? **R**

Ans. Major sources of capital for a public limited company:

- (a) Equity Share Capital
- (b) Preference Share Capital

(ii) Differentiate between 'Equity Shares' and 'Preference Shares'. **U**

Ans. Distinction between Equity Share and Preference Shares:

Basis	Preference Share	Equity Share
Dividend Right	Preference shareholders have a right to get the dividend before it is paid to the equity shareholders	Equity shareholders are allowed to receive the dividend only after the preference shareholders.
Dividend Rate	Dividend Rate is fixed on preference shares.	Dividend rate is not fixed on the equity shares.
Voting Rights	They can vote only in special circumstances (if necessary).	They have voting rights in all circumstances.
Convertibility	These shares can be converted into the equity shares (with terms & conditions).	These shares cannot be converted.
Winding up	Preference shareholders will be repaid first at the time of winding up.	Equity shareholders will be repaid after the preference share.

(iii) Differentiate between 'Owners' funds' and 'Borrowed funds'. **U**

Ans. Distinction between Owners' funds and Borrowed funds:

Basis	Owners' Funds	Borrowed Funds
Nature	Owner's fund entirely belongs to the Entrepreneur.	It is completely borrowed from the outsiders.
Types	Types of owner's fund: (a) Equity capital (b) Preference capital (c) Margin money/seed money	Types of borrowed fund: (a) Issue of debentures (b) Loan from financial institutions (c) Loan from banks (d) Borrowed from Private lenders
Dividend Vs. Interest	Dividend is paid to the shareholders.	Interest is paid on the amount borrowed.

(c) Debentures

(d) Bonds

(e) Mortgage

(f) Bank Loan

Q. 2 (iii) In terms of tax benefits, which of the two-preference shares or debentures will be preferred by the organization? Give reasons. **U**

Ans. Firm should prefer debentures for long term tax benefits. Issuing of Debenture results in interest expense for the borrower which is a tax deductible expense. Whereas dividend on shares is fully taxable.

Q. 3. Answer in not more than 75 words:

(i) Define 'Personal Financing'. Give its sources. **U**

Ans. Personal finance is directly concerned with the management of finance which an individual or a family unit performs to budget, save, and spend monetary resources over time, taking into account various financial risks and future life events.

Sources of Personal Financing are:

- (a) Personal Savings
- (b) Friends and relatives
- (c) Chit Funds
- (d) Deposits from Dealers

Q. 4. Answer in not more than 150 words:

- (i) **Public deposits are a good source of raising medium term finance. How?** [U]

Ans. Public deposits is a best way of arranging finance for the business for a medium term. An entrepreneur encourages public to deposit their money in his business for good rate of return in the form of interest. The period involved for such investment is maximum 36 months or 3 years. Public expect a good rate of interest that the rate applicable on bank deposits. People who have deposited their hard earn money have no rights in management. They are treated as the creditors of the firm.

- (ii) **When is it appropriate to use financial institutions as a source of financing?** [U]

Ans. Financial Institutions provide mainly the long term financial assistance to the Industrial Undertakings. When an entrepreneur is setting a large scale manufacturing unit or he is planning to expand his existing business he may contact financial institution to arrange finance.

Mainly a big amount is required in the following situations:

- When capital requirement is more in the business and entrepreneur is unable to meet that requirement personally.
- When entrepreneur is making a huge change in Technology.
- When heavy capital expenditure is due i.e. Plant and machinery, land and building and other equipment etc.

- (iii) **Name the following:** [R]

- (a) **The persons who are given preference in payment of dividend and repayment of capital.**

Ans. Preference shareholders.

- (b) **The person who are owners of a company.**

Ans. Equity Shareholders of a company are called owners of the company.

- (c) **The secured creditors of a company.**

Ans. Debenture holders.

- (d) **The source of finance in which the right to use assets for a specific period is worked out.**

Ans. Term Loan.

Q. 5. Answer in not more than 250 words:

- (i) **What is 'venture capital'? Explain the mode of raising funds?** [U]

Ans. Venture capital is that money which is provided for a startup business with a belief to have a long term growth potential. It is not always in the monetary form but it can be in the form of

technical or managerial expertise. It is believed that venture capital is required for the following three situations:

- To start a business (Early stage financing)
- For the expansion/development of the business
- Acquisitions and Leveraged Buyout financing (Diversifying)

These three stages are at times funded by two strong groups of capitalists / investors, referred to as:

- Angel Investors
 - Venture Capitalist
- (ii) **Discuss the various sources of financing capital through ownership.** [U]

Ans. When an Entrepreneur provides his own money into the business, it is known as ownership financing. It involves his own equity, seed capital, and the ploughing back of profits, etc.

- (a) **Ploughing back of profits:** Under this technique of financing, a business firm does not distribute the profits in the form of dividend to its shareholders. It is retained and reinvested in the business for the future growth.

- (b) **Equity Shares:** People who have invested in the company through equity shares are known as shareholders of the company and virtual owners of the company. They may or may not receive dividend that's make them true risk bearers. They are the well-wisher of the company.

- (c) **Preference Shares:** Preference shares are those shares which are entitled to a priority in:

- The payment of a dividend before any dividend is paid on equity shares. The rate of dividend is fixed for the preference shareholders.
- In case of winding up, preference shareholders are paid their capital first.

A firm may issue different types of preference shares :

- Cumulative or non-cumulative
- Participating or non-participating
- Convertible or non-convertible

- (d) **Seed Capital :** This is the capital which helps in startup. See capital may be contributed by the founder of the business through his assets or by the friends or family.

- (iii) **Explain the term 'Debt Financing'. How are Banks' an important source of debt financing?** [U]

Ans. Debt financing is a source of arranging finance for the business in the form of interest bearing instruments. Debt financing is also known as asset-based financing because it requires

some asset e.g. land, building, etc. be used as a collateral. Here, the entrepreneur is liable to pay off the amount of funds borrowed as well as a fee expressed in terms of the interest rate.

Banks also provide help to the entrepreneur by providing the funds for startup and growth & expansion of the business. Bank may provide loans as:

- (a) Short term loan
- (b) Medium term loan
- (c) Long term loan

*Mentorship

Q. 1. Answer in not more than 15 words:

(i) Who is a 'Mentor'? U

Ans. A mentor is a person who may be a friend, guide, advisor, wise intellect person who uses the mind creatively especially in occupational settings to provide guidance and support.

(ii) Define the term 'Business Mentor'. U

Ans. Business mentor is a person who offers invaluable advice, support and guidance to a new entrepreneur. Business mentor will not provide any idea of business or will not explain how to do business but he will inspire and motivate a person to start his own business.

(iii) Give one difference between Group mentoring and Peer mentoring. U

Ans. Under group mentoring a mentor works with 4-6 mentees at one time. Whereas peer mentoring is directly concerned with mentoring relations, formally or informally with colleagues.

Q. 2. Answer in not more than 50 words:

(i) What is Informal mentoring? U

Ans. Informal mentoring is also known as unofficial mentoring. It may or may not be beneficial because outcomes of informal mentoring are not measured and recorded anywhere. Under informal mentoring relationship of mentor and mentee is not identified. They may select each other because there are no formal conditions applicable on it.

(ii) Enumerate the role played by the Mentor. U

Ans. Role of the mentor:

- (a) A mentor helps in diagnosing in order, to define and understand the current situations in the Business firm.
- (b) A mentor designs a SWOT analysis for its mentee through which a mentee comes to know about his strengths and shortcoming.
- (c) A mentor provides assistance in assessing the necessary information.
- (d) A mentor provides assistance in preparation of necessary documents for the enterprise.

*Out of Syllabus

(e) A mentor always provides guidance and support in designing and implementation of valuable activities/plans/projects, in order to achieve the best possible business results.

(f) A mentor prepares his mentee in such a way so that he can identify, procure and utilize valuable resources.

Q. 3. Answer in not more than 75 words:

(i) What benefits do Mentors gain from their function? U

Ans. Benefits mentors gain through their functions:

- (a) A mentor gains insights from the mentee's background and history which can be used in the mentor's professional and personal development.
- (b) A mentor shares his expertise with other and gains satisfaction.
- (c) Mentoring re-energizes the mentor's career.
- (d) A mentor is a well-wisher of the business and adds value to the business.
- (e) A mentor not only provides assistance but also learn about the business and its environment and utilize his experience for the well-being of the business.

(ii) Explain the concept of mentoring. Give two examples to support your answer. U

Ans. Mentorship is a development programme through which one person (known as mentor) shares knowledge, skills, information and perspective to foster the personal and professional growth of his mentee. A mentor provides full help and support in a nonthreatening way. Mentoring creates a safe learning environment.

Examples of mentoring are :

- (a) A group of promoters conduct seminar for new entrepreneurs.
- (b) A family person, experienced friend or a professional who assist an entrepreneur in startup and growth and expansion of the business.

Q. 4. Answer in not more than 150 words:

(i) Briefly state the different types of mentoring. U

Ans. Types of mentoring:

- (a) On basis of construction mode:
 - (1) **Formal mentoring** : Under formal mentoring mentor and mentee are paired with each other on the basis of compatibility. Goals are defined in the beginning and mentoring begins with the aim to achieve the objectives and ends with the achievement the objectives. At the end outcomes are measured to know the actual impact of mentoring.
 - (2) **Informal mentoring** : Informal mentoring is also known as unofficial mentoring. It may or may not be beneficial because outcomes

of informal mentoring are not measured and recorded anywhere. Under informal mentoring relationship of mentor and mentee is not identified. They may selected each other because there are no formal conditions applicable on it.

(b) On basis of delivering mode:

(1) One to one mentoring : Under one to one mentoring mentor and mentee are paired with each other on the basis of compatibility.

(2) Group Mentoring : Under group mentoring a mentor works with 4-6 mentees at one time.

(3) Online Mentoring : Under online mentoring mentor and mentee both are online through computerized programmes and form a direct relationship.

(4) Peer Mentoring : Peer mentoring is directly concerned with mentoring relations, formally or informally with colleagues.

(ii) Not only the entrepreneur but also the entire organization benefits from mentoring. Explain? [U]

Ans. Mentoring benefits the entire organization in the following manners:

- (a) Mentoring helps in enhancing strategic business initiatives.
- (b) It encourages both mentor and mentee.
- (c) It helps in reducing the cost.
- (d) It minimizes the wastage and helps in improving the productivity of the business.
- (e) It helps in removing the business obstacles.
- (f) It provides expertise and practical knowledge to the mentees.
- (g) It helps in professional development of business as well as people associated with the business.
- (h) It helps in connecting employees with valuable knowledge and information to other employees in need of such information.
- (i) The main focus of mentoring is to deploy own employees, instead of outside consultants, as internal experts for professional development.
- (j) It builds a strong relationship between employees and management.
- (k) It creates a culture in the enterprise which promotes individual employee growth and development.

Q. 5. Answer in not more than 250 words:

(i) Discuss the role and importance of mentoring. [U]

Ans. Role and Importance of mentoring:

- (a) Mentoring helps the mentee in learning and gaining new skills.
- (b) It helps in reducing the cost
- (c) Mentoring helps in diagnosing in order, to define

and understand the current situations in the Business firm.

(d) Mentoring designs a SWOT analysis for its mentee through which a mentee comes to know about his strengths and shortcoming.

(e) Mentoring provides assistance in assessing the necessary information.

(f) Mentoring provides assistance in preparation of necessary documents for the enterprise.

(g) Mentoring always provides guidance and support in designing and implementation of valuable activities/plans/projects, in order to achieve the best possible business results.

(h) Mentoring prepares his mentee in such a way so that he can identify, procure and utilize valuable resources.

(ii) Explain Mentoring. What are the characteristics? [U]

Ans. Mentoring encourages both mentor and mentee. It is a development programme through which one person (known as mentor) shares knowledge, skills, information and perspective to foster the personal and professional growth of his mentee. A mentor provides full help and support in a nonthreatening way. Mentoring creates a safe learning environment.

Characteristics of Mentoring:

- (a) It is based on the mutual consent of a mentor and mentee. It is different from manager-employee relationship.
- (b) The main focus of mentorship is on professional development of the mentee.
- (c) In actual mentoring is a personal relationship between mentor and mentees because mentor is not only providing professional support, he is providing personal support too.
- (d) Relationship may be initiated by a mentor through a match initiated by the organization.
- (e) In a formal program of mentoring, relationship may be for a short time period but in informal mentoring relationship may be built for forever.

***Sources of Information**

Q. 1. Answer in not more than 15 words:

(i) Define Census Method of collecting data. [U]

Ans. Census method is a technique of acquiring and recording information systematically. Under this method all units associated with a particular problem are studied.

(ii) Name the main producers of information. [R]

Ans. Main producers of information:

- (a) Government Agencies
- (b) Academic Institutions

(c) Private Sector Institutions

(d) Individuals

(iii) Name the sources available to an entrepreneur at state and central level, to seek information regarding plant and machinery. [R]

Ans. Two main resources:

(a) SFC (State Finance Corporation)

(b) CCIE (Chief Controller of Import and Export)

Q. 2. Answer in not more than 75 words:

(i) Identify any six major small scale industry groups in India. [A]

Ans. Major small scale industry groups in India:

(a) Diamond merchants in Surat.

(b) Oil and gas drilling companies in Mumbai

(c) Hosiery factories in Ludhiana.

(d) Scientific instruments making factories in Ambala.

(e) Carpet making factories in Panipat.

(f) Radio, TV, etc. manufacturing factories in Delhi.

(ii) What purpose does 'information' serve for an entrepreneur? [U]

Ans. Information is important for an entrepreneur because of the following reasons:

(a) Information helps in feasibility study, viability, application and utility of the idea.

(b) It provides important information about the market e.g., taste and preference of the customers, demand, level and sources of supply, competitors.

(c) Through information entrepreneurs come to know about the requirement of resources and the available sources.

(d) Information provides valuable feedback about the environmental factors and opportunities and threats for the business.

Q. 3. Answer in not more than 150 words:

(i) Identify the information resource centre at the State and Central levels available in [A]

India to the entrepreneur regarding :

(a) Product standardization and quality mark

(b) Technical know-how

(c) Selection of Project

(d) Registration

Ans. Information resources:

(a) Product standardization and quality mark

(1) ISI (India Standards Institute),

(2) RT (Register of Trade Mark)

(b) Technical know-how

(1) DDCA (Directorate of Drug Control Association),

(2) CIPET (Central Institute of Plastic and Engineer Tool)

(c) Selection of Project

(1) DTC (District Industrial Centre),

(2) ITC (Indian Investment Centre),

(3) SFC (State Finance Corporation)

(d) Registration

(1) NSIC (National Small Industrial Corporation)

(2) CCIE (Chief Controller of Import and Export)

(3) STC (State Trading Corporation)

Q. 4. Answer in not more than 250 words:

(i) Differentiate between Primary, Secondary and Tertiary source of information. [A]

Ans. Distinction between primary, secondary and tertiary source of information:

Basis	Primary	Secondary	Tertiary
Meaning	Primary information is original material on which other research studies are based.	Under this primary information is modified and rearranged as per the requirement of the business firm.	Tertiary source of information is concerned with the extraction and purification of information collected through primary and secondary sources.
Source of information	Primary information can be collected through email, letters, interviews, statistics, surveys, opinion polls and journal articles etc.	Source of secondary information can be biographies, encyclopedia, dictionaries, handbooks and textbooks etc.	Source of tertiary information can be chronologies, classifications, dictionaries and encyclopedia, etc.
Methods	Under this following methods can be used: (a) Direct Personal Investigation (b) Indirect Oral Investigation (c) Local Correspondents (d) Mailed Questionnaire (e) Questionnaire through Enumerators	Under this following methods can be used: (a) Published: Reports published by the Government, International Publications, Reports published by the Research Institute, and Trade associations etc. (b) Unpublished: Some unpublished but valuable available records.	Under this following methods can be used: (a) Census Method (b) Sample Method

- (ii) What is meant by Primary source of information? Explain the method of collecting primary data. [U]

Ans. Primary source of information is directly concerned with the collection of original material on which other research studies are based. Primary information can be collected through email, letters, Interviews, Statistics, surveys, opinion polls and Journal articles etc.

Methods of collecting data under Primary source of information :

- Direct personal investigation :** Under this method, information is collected personally by the investigator from the direct source.
- Indirect oral investigation :** Under this method, investigator approaches the certain sources which are connected with information directly or indirectly.
- Local Correspondents :** Under this method investigator appoints local agent or correspondents in different areas from where they can collect information directly and quickly.
- Mailed Questionnaire :** Under this method investigator designs a valuable questionnaire through which important information can be collected easily. He prepares this questionnaire by keeping in view the objective of the inquiry and sends it to informants by post.
- Questionnaire through Enumerators :** Under this method, a well prepared questionnaire is given to the enumerators with the complete guidelines of do and don'ts. Enumerators go to the informants along with the questionnaire to help them in recording the answer.

Size and Capital Based Classification of Business Enterprises

Q. 1. Answer in not more than 15 words

- (i) Define a 'Tiny enterprise.' [U]

Ans. A business will be considered as a tiny business if its investment in plant and machinery is up to ₹ 25 lakh.

- (ii) Define a Large Scale Enterprise. [U]

Ans. The industrial units whose investment in plant and machinery exceeds ₹ 10 crore are said to be large scale enterprise.

- (iii) When is a unit said to be a "Medium Scale Enterprise"? [U]

Ans. The industrial units whose investment in plant and machinery is more than ₹ 5 crore but not exceed ₹10 crore are said to be medium scale enterprise.

- (iv) When is a unit referred to as a 'Micro-Business enterprise'? [U]

Ans. The industrial units whose investment in plant and machinery (their original cost excluding/and building & items specified by Ministry of SSI in its notification No. S.O. 1722 (E) dated Oct. 5, 2006) is not more than ₹ 25 lakh are said to be Micro business enterprise.

Q. 2. Answer in not more than 50 words:

- (i) List the parameters used to measure the volume of the business. [R]

Ans. Following are parameters used to measure the volume of the business :

- Volume of capital invested
- Volume of output
- Number of workers.

In India, often, it is adjudged on the basis of the volume of the capital invested whether a business unit is large or small.

- Small Scale :** A business will be considered as a tiny business if its investment in plant and machinery is not exceed ₹ 5 crore.
 - Medium Scale :** The industrial units whose investment in plant and machinery is more than ₹ 5 crore but not exceed ₹ 10 crore are said to be medium scale enterprise.
 - Large Scale :** The industrial units whose investment in plant and machinery exceeds ₹ 10 crore are said to be large scale enterprise.
- (ii) How would you differentiate between an ancillary unit and a tiny unit? [U]

Ans. Ancillary Unit: Ancillary unit is also known as small scale industry. These industries manufacture components, etc. for the parent units and get technical and financial help from the parent units.

Tiny Unit: A business will be considered as a tiny business if its investment in plant and machinery is up to ₹ 25 lakh.

- (iii) When is any activity referred as a 'Business Activity'? [U]

Ans. Activities performed by a business firm which satisfy the customers and earn a good profit for the business are known as business activity. Every business activity is consumer oriented. The purpose of business is to create customer through its business activities.

Q. 3. Answer in not more than 75 words:

- (i) Classify, on the basis of size, the business enterprises. [U]

Ans. Classification on the basis of size:

- Small Scale :** A business will be considered as a tiny business if its investment in plant and machinery is not exceed ₹ 5 crore.

(b) **Medium Scale** : The industrial units whose investment in plant and machinery is more than ₹ 5 crore but not exceed ₹ 10 crore are said to be medium scale enterprise.

(c) **Large Scale** : The industrial units whose investment in plant and machinery exceeds ₹ 10 crore are said to be large scale enterprise.

(ii) **Explain the characteristics of a Cottage and Rural industry.** U

Ans. Characteristics of Cottage and Rural Industry:

- (a) Cottage and rural industry is mainly run by the members of the family.
- (b) There is no fixed place for such industry. It is run by the artisans at their homes.
- (c) It does not involve big investment. A small amount is enough to start such industry.

(d) The main objective of such industries is to fulfill the requirement of a local region.

(e) Mainly it is labour intensive and involve rare use of machines.

(f) Some examples are khadi and handicrafts industries. Most of the industry is involved in making traditional items like mats, shoes, pottery etc.

(iii) **Discuss the enterprises which comes under the category of being an SSI units.** U

Ans. A business will be considered as a small scale industry (SSI) if its investment in plant and machinery is not exceed ₹ 5 crore. Such industry uses machineries which are run on electricity. Demand of labour is very high in such industries.



High Order Thinking Skills (HOTS) Questions

(i) **Anurag, a textile industrialist, wants to buy a new printing machinery and its allied tools. Suggest for him, that before any finalising the same, what he should investigate first.** C

Ans. Before finalizing the deal of machinery and its allied tools, Anurag must keep in mind the following points:

- (a) He should finalise the place where machinery is to be established.
- (b) Durability and usefulness of machinery and its allied tools.
- (c) The basic infrastructure requirement.
- (d) Place for plant and machinery.
- (e) Building is to be constructed (if required).
- (f) Availability and arrangement of other resources.

(ii) **Procurement of Physical resources is not an easy job. Do you agree? Give reasons.** AE

Ans. Yes, it is a true statement, arrangement of physical resources is the most challenging task for an entrepreneur. Resources which are not natural but made by the human through his abilities and skills are called physical resources.

Examples of Physical Resources are :

- (a) Land and Building
- (b) Plant and Machinery
- (c) Technology and equipment

Procurement of physical resources is not easy because of the following reasons:

(a) Heavy cost is the main reason. Entrepreneur pays a big amount to procure such resources.

(b) Access to other resources.

(c) Transportation and communication cost.

(d) Availability of manpower and its cost i.e. wages and salaries to be paid.

(iii) **How is "Capitalisation" different from "Capital Structure"?** U

Ans. Refer to Q. No. 3 (i) Pg. no. 102.

(iv) **'An ideal capital structure is a result of great, planning and team work'. What factors are required to be planned and paid attention to at this time?** AE

Ans. Refer to Q. 5 (iii) on Pg. no. 104.

AT (v) **Anjali Ltd. had decided to expand its production capacity by modernizing its plant and machinery at an estimated cost of ₹ 2 crore. The company doesn't have enough reserves to finance modernization. Suggest two sources to the company from where they can raise finance.** C

Ans. Company can raise finance from:

- (a) Loans from Financial Institutions like IDBI, SIDBI and IFCI, etc.
- (b) Loans from specialized Financial Institutions like ICICI Venture Funds Ltd., TFCI ; investment institutions like LIC, GIC and UTI, etc.



Application Based Exercise

(i) **Shraddha wants to start an Agro based unit in Solan. What is she required to do to acquire a competent workforce for her proposed plant?**

Ans. Shraddha must keep following points in mind :

- (a) Total work is to be done every day.

- (b) Number of tasks to be performed under different activities.
- (c) How much work can the average person do in a specified period of time?
- (d) Availability of labour.
- (e) Level of absenteeism expected.
- (f) Future plans for expansion, diversification and growth, etc.
- (ii) **Suruchi is planning to establish a small scale export factory. To ensure that she is neither short of or in excess of capital, guide her how to go about for financial resources.**

Ans. Suruchi is planning for a small scale industry and she needs maximum amount ₹ 5 crore for starting this unit. She must estimate the total amount of capital she needs so that she doesn't face problem of overcapitalization or undercapitalization. She can arrange finance from the following institutions as per the requirement of the business :

- (a) Loans from Financial Institutions like IDBI, SIDBI and IFCI, etc.
- (b) Loans from specialized Financial Institutions like ICICI Venture Funds Ltd, TFCI ; investment institutions like LIC, GIC and UTI, etc.
- (iii) **Mr. Nair, while planning for the 'financial requirement, overlooked the use of Technology in Production'. What loss can befall on society because of his act of ignorance.**

Ans. Technology is the most important part of any manufacturing unit. Use of technology plays important role in reducing cost and increasing the production capacity of a business firm. Here, Mr. Nair has overlooked the use of technology in production which may lead to the following consequences :

- (a) High cost of product.
- (b) More use of labour.
- (c) Reduction in the quality of the product.
- (d) He has to set a high price of the product due to the high cost which may lead to fall in the demand of the product.
- (e) His product may become outdated.
- (iv) **Mukesh is planning to establish a Restaurant at Cannaught Place, Delhi. What patterns of capital structure are available to him. Give reasons.**

Ans. Suitable capital structure for Mukesh will be :

- (a) He can use his own investments and savings for starting his restaurant.
- (b) He can apply for Bank Loan.
- (c) He can borrow money from any financial institution.
- (d) Financial help from friends and family.
- (e) He may add one or two business partners.
- ***(v) Shalini plans to set up a Printing Press in Ludhiana. She looks upto her cousin Amit, who is successfully running a similar unit in Jaipur, for all possible help, guidance and suggestions. What kind of mentoring is this?**

Ans. This is informal mentorship. It may or may not be beneficial because outcomes of informal mentoring are not measured and recorded anywhere. Under informal mentoring relationship of mentor and mentee is not identified. They may selected each other because there are no formal conditions applicable on it.

***(vi) Malti, wants to commence a Blue Pottery Enterprise. Before starting, multiple information is required as a part of her systematic planning. Discuss the methods available to her to collect the required data.**

Ans. Malti can use following methods to collect data :

- (a) **Direct personal investigation** : Under this method, information is collected personally by the investigator from the direct source.
- (b) **Indirect oral investigation** : Under this method, investigator approaches the certain sources which are connected with information directly or indirectly.
- (c) **Local Correspondents** : Under this method, investigator appoints local agent or correspondents in different areas from where they can collect information directly and quickly.
- (d) **Mailed Questionnaire** : Under this method, investigator designs a valuable questionnaire through which important information can be collected easily. He prepares this questionnaire by keeping in view the objective of the inquiry and sends it to informants by post.
- (e) **Questionnaire through Enumerators** : Under this method, a well prepared questionnaire is given to the enumerators with the complete guidelines of do and don'ts. Enumerators go to the informants along with the questionnaire to help them in recording the answer.

