

# CUET (UG) Examination Paper 2024

National Testing Agency

ENTREPRENEURSHIP

Section II

**SOLVED**

Time Allowed: 45 Minutes

Maximum Marks : 200

## General Instructions:

- (i) There are 50 questions in this paper.
- (ii) 40 questions are to be attempted only.
- (iii) There is a negative marking of 1 mark.

1. ABC Ltd. is planning to expand after completing seven years of successful operation. They want to approach venture capitalist for financing their business. But they are very sceptical about approaching the venture capitalist as they are aware that venture capitalists are very selective in their approach. How could ABC Ltd. influence the venture capitalists?
- (a) Their product should have potential for future growth.
  - (b) The technology going to be used by them should be innovative.
  - (c) They should have a good and impressive management team.
  - (d) All of the above

Ans. Option (d) is correct.

**Explanation:** To influence venture capitalists, ABC Ltd. can focus on several key factors that make the company more attractive to investors:

**Potential for Future Growth:** Venture capitalists are drawn to businesses that have significant growth potential. If ABC Ltd.'s product has the potential to expand in the market, it becomes more appealing to investors.

**Innovative Technology:** The use of innovative technology can set ABC Ltd. apart from competitors, showing that the company is forward-thinking and capable of maintaining a competitive edge.

**Strong Management Team:** Venture capitalists often assess the management team's expertise and vision, as the leadership's ability to execute plans is crucial for business success.

Thus, focusing on all three aspects—product growth potential, innovative technology and a strong management team—would increase the likelihood of convincing venture capitalists. Therefore, the correct option is "All of the above."

2. In the question given below there are two statements labelled as Assertion (A) and Reason (R). In the context of the two statements choose the correct option.

**Assertion (A):** The items of an inventory are all priced differently.

**Reason (R):** The quality of the inventory is thus important to have an effective control system.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true but (R) is not the correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

Ans. Option (b) is correct.

**Explanation:** Inventory items being priced differently is true, as pricing can vary based on the type of goods. However, the reason given relates to the quality of inventory and control systems, which is a separate factor unrelated to the pricing of items.

3. This process of creativity is the subconscious assimilation of information.
- (a) Incubation
  - (b) Illumination
  - (c) Verification
  - (d) Preparation

Ans. Option (a) is correct.

**Explanation:** In the creative process, "incubation" refers to a stage where the mind subconsciously assimilates information after an initial conscious effort. During this phase, the brain continues to work on a problem or idea in the background, often leading to a sudden insight or solution later. It is a critical part of the creative process, where subconscious thought plays a major role.

4. Match List I with List II:

List I	List II
(A) Minor partners	(i) Partnership comes to an end
(B) Mutual agency	(ii) Personal property can be disposed in case of debt
(C) Unlimited liability	(iii) Cannot enter into a contract
(D) Death of a partner	(iv) Business can be carried on by one or all partners

Choose the correct answer from the options given below:

- (a) A-(iii), B-(iv), C-(ii), D-(i)
- (b) A-(iii), B-(ii), C-(iv), D-(i)
- (c) A -(ii), B-(iii), C-(i), D-(iv)
- (d) A-(iv), B-(iii), C-(ii), D-(i)

**Ans. Option (a) is correct.**

**Explanation:** A: Minor partners – (iii) Cannot enter into a contract: Minor partners do not have the legal capacity to enter into binding contracts.

B: Mutual agency – (iv) Business can be carried on by one or all partners: Mutual agency refers to the principle that any partner can bind the firm and other partners in business transactions.

C: Unlimited liability – (ii) Personal property can be disposed in case of debt: In a partnership with unlimited liability, partners may have to use personal assets to settle business debts.

D: Death of a partner – (i) Partnership comes to an end: The death of a partner generally results in the dissolution of the partnership unless there is an agreement to continue the business.

5. In this kind of Franchise agreement types and time frames regarding various maintenance items and upgrades must be made to the franchisee's location.

- (a) Contract explanation
- (b) Operation's manual
- (c) Ongoing site maintenance
- (d) Proprietary statements

**Ans. Option (c) is correct.**

**Explanation:** In a franchise agreement, "ongoing site maintenance" refers to the requirement for the franchisee to maintain the franchise location according to the franchisor's standards. This includes regular updates, repairs and upgrades to ensure the site remains in compliance with brand guidelines. The franchise agreement typically outlines the types of maintenance required and the time frames for completing these tasks.

6. The scope of the company form of organisation is determined by:

- 1. The Companies Act, 2013
  - 2. Memorandum of Association
  - 3. Articles of Association
- (a) Only 1
  - (b) Both 1 & 2
  - (c) Only 2
  - (d) All 1, 2, 3

**Ans. Option (d) is correct.**

**Explanation:** The scope of a company is determined by:

The Companies Act, 2013 – This legislation governs the incorporation, responsibilities and management of companies in India.

Memorandum of Association – This document outlines the company's objectives, powers and limitations.

Articles of Association – This document specifies the rules and regulations for the internal management of the company.

Together, these three elements define the structure and operational boundaries of a company.

7. This advertising strategy focuses on a unique target market i.e. the strategy focuses exclusively on one group. State the strategy being discussed.

- (a) Tapping unconventional markets
- (b) Niche marketing
- (c) Product positioning
- (d) All of the above

**Ans. Option (b) is correct.**

**Explanation:** Niche marketing is an advertising strategy that focuses on a specific, well-defined segment of the market. This approach targets a unique group of customers with specific needs and preferences, allowing businesses to tailor their products, services and marketing efforts to effectively reach and satisfy that particular audience.

8. Jai and Veeru are involved in a wholesale business of medicine. They buy medicines directly from manufacturers in bulk and sell them in small lots to the retailers. Both of them know their roles and responsibilities. They have also laid down the procedure for solving arguments and conflicts between them, if any. All the above information is described in an important component of a business plan. Which component is being spoken about here?

- (a) Financial plan
- (b) Organisational plan
- (c) Production plan
- (d) Operational plan

**Ans. Option (b) is correct.**

**Explanation:** The organisational plan outlines the roles and responsibilities of individuals within the business, along with procedures for conflict resolution and decision-making processes. In this case, Jai and Veeru's understanding of their roles and the procedures they have established for resolving disputes indicate the organisational structure and management aspects of their wholesale medicine business.

9. In the question given below there are two statements labelled as Assertion (A) and Reason (R). In the context of the two statements choose the correct option.

**Assertion (A):** This section of operations manual franchise agreement lays forward the guidelines that the franchise must lawfully follow while running the business.

**Reason (R):** Changes in operation manual can be made with the consent of both the parties.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true but (R) is not the correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

**Ans. Option (b) is correct.**

**Explanation:** The operations manual franchise agreement lays forward the guidelines that the franchise must lawfully follow while running the business.

This is true because the operations manual does indeed provide essential guidelines for the franchisee, whereas changes in the operations manual can be made with the consent of both parties.

This is also true, as most franchise agreements allow modifications to the operations manual if both the franchisor and franchisee agree.

While both statements are true, Reason (R) does not directly explain why the guidelines in the operations manual are necessary or their importance in running the business. Instead, it merely states that changes can be made with consent.

10. Capital raised by an entrepreneur can be used for various purposes. Identify from the options given below what the entrepreneur cannot do with the raised capital.

(a) Set up new enterprise  
(b) Diversify  
(c) Use it for personal purpose  
(d) Expand

Ans. Option (c) is correct.

**Explanation:** Capital raised by an entrepreneur for a business should be used for business-related activities such as setting up a new enterprise, diversifying the business, or expanding existing operations. Using the raised capital for personal purposes is generally not permissible and can lead to legal and financial complications, as it can blur the lines between personal and business finances.

11. Everybody needs help but few really know whom to turn to for advice on the little things that matter. And if you are a start-up trying to understand which way to go, it's great to have someone guiding you in the right direction. Who are these mentors?

(a) Venture capitalists  
(b) Angel investors  
(c) Parents  
(d) All of the above

Ans. Option (d) is correct.

**Explanation: Venture Capitalists:** They not only provide funding but often bring valuable insights and connections to help startups grow.

**Angel Investors:** These individuals invest their own money in startups and typically offer guidance based on their own entrepreneurial experiences and knowledge.

**Parents:** While they may not have formal expertise in business, they can offer support, encouragement, and practical advice based on their life experiences.

Each of these groups can serve as mentors and provide guidance to startups, making "All of the above" the most comprehensive choice.

12. Which among the following is not a business promotion activity?

(a) Seminars and workshops

(b) Conference presentations  
(c) Trade show displays  
(d) Reseller staff incentives

Ans. Option (d) is correct.

**Explanation:** Seminars and workshops, conference presentations, and trade show displays are all promotional activities designed to market a business, showcase products or services and create networking opportunities.

Reseller staff incentives, on the other hand, are internal motivation programs aimed at encouraging resellers to sell more products or services, rather than directly promoting the business to external audiences.

13. In the question given below there are two statements labelled as Assertion (A) and Reason (R). In the context of the two statements choose the correct option.

**Assertion (A):** A company which is suffering huge losses can be shut down only by following the procedures laid down in Companies Act.

**Reason (R):** A company can be born as well as liquidated only by law.

(a) Both (A) and (R) are true and (R) is the correct explanation of (A).  
(b) Both (A) and (R) are true but (R) is not the correct explanation of (A).  
(c) (A) is true but (R) is false.  
(d) (A) is false but (R) is true.

Ans. Option (a) is correct.

**Explanation:** Any company, even one suffering huge losses, can only be shut down by following the legal procedures established in the Companies Act. This ensures that all legal, financial and regulatory obligations are properly met during the liquidation or winding-up process. A company's creation (incorporation) and liquidation (dissolution) are both governed by law, meaning a company's life cycle is legally regulated.

Since Reason (R) directly explains the legal framework for both the creation and liquidation of a company, it is the correct explanation for Assertion (A).

14. What are post scanning ideas?

(a) They are an experiential process.  
(b) They are a strategic process.  
(c) Both (a) and (b)  
(d) Neither (a) nor (b)

Ans. Option (b) is correct.

**Explanation:** Post scanning ideas involve a more purposeful activity, contrasting with the random nature of initial spotting of ideas.

15. Which of the following is not a rule of advertising?

- (a) Aim
- (b) Target
- (c) Mission
- (d) Competitors

Ans. Option (c) is correct.

**Explanation:** In advertising, the key rules focus on defining the aim (the goal of the campaign), identifying the target audience (the specific group the advertisement is meant to reach), and considering competitors (to differentiate from others in the market). While a company's mission is important for overall direction, it is not a specific rule or guideline in the advertising process.

16. Tom and Jerry have created a beautiful music composition. When they showcased their talent to their friends, one of the friends suggested that they should protect their work from being copied. What do you think the friend was suggesting them to do?

- (a) Patent their composition
- (b) Copyright their composition
- (c) Trademark their composition
- (d) All of the above

Ans. Option (b) is correct.

**Explanation:** Copyright is the legal protection granted to original works of authorship, including music compositions, allowing creators to control the use of their work and prevent others from copying or distributing it without permission. Patents protect inventions and trademarks protect brand names and logos, but for a music composition, copyright is the appropriate form of protection.

17. From the given list of current assets identify the one which is not a current asset.

- (a) Cash
- (b) Short-term investment
- (c) Long-term investment
- (d) Stock

Ans. Option (c) is correct.

**Explanation:** Current assets are those assets that a company expects to convert into cash or use up within one year, which include cash, short-term investments and stock (inventory). Cash is the most liquid asset, while short-term investments can be easily converted into cash. Stock refers to the inventory that a business intends to sell in its normal operating cycle. In contrast, a long-term investment is an asset that is held for more than one year and is not expected to be converted into cash within the short term, making it distinct from current assets.

18. Entrepreneurs need to protect their proprietary intellectual property before sharing their business plan with venture capital firm. How can they safeguard themselves?

- (a) Entering into non-disclosure agreements with venture capital firms
- (b) Entering into signed contracts of terms and conditions with venture capital firm
- (c) Entering into verbal contracts with venture capital firm
- (d) All of the above

Ans. Option (a) is correct.

**Explanation:** Non-disclosure agreements (NDAs) are legal contracts that help protect proprietary intellectual property by ensuring that the venture capital firm cannot disclose or use the entrepreneur's confidential information without permission.

Conditions with venture capital firms may not explicitly protect intellectual property unless they are formalised in a contract.

Entering into verbal contracts is generally not advisable for protecting intellectual property, as verbal agreements can be difficult to enforce and may lack the legal clarity needed to ensure confidentiality.

Therefore, the most effective method for safeguarding proprietary information is through NDAs.

19. In the question given below there are two statements labelled as Assertion (A) and Reason (R). In the context of the two statements choose the correct option.

**Assertion (A):** Different products have different operating cycles.

**Reason (R):** The time taken between setting up a business and earning profits is called operating cycle.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true but (R) is not the correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

Ans. Option (b) is correct.

**Explanation:** Assertion (A) is true because different products indeed have varying operating cycles based on their nature, production processes, and market demand. For example, perishable goods may have a shorter operating cycle compared to durable goods.

Reason (R) is also true as it accurately describes the operating cycle as the time taken from setting up a business to earning profits. However, it does not directly explain why different products have different operating cycles, which is the core of assertion (A). The reason focuses more on the definition of an operating cycle rather than the variance between products.

Read the following case and answer the questions (20-21):

The case discusses the dispute between US-based global fast food chain McDonald's and one of its Indian joint venture partners, Connaught Plaza Restaurants (CPRL)



led by Vikram Bakshi (Bakshi), which affected the fortunes of the fast food chain in the highly competitive quick service restaurant (QSR) market in India. McDonald's, which entered the country in 1996, operated through two master franchisees, one a 50-50 joint venture with Bakshi called CPRL covering the northern and eastern parts of the country, and another with Hard Castle Restaurants Pvt. Ltd. (HRPL) owned by Amit Jatia, covering the southern and western parts. In 2008, after more than 15 years of smooth operations during which McDonald's acquired a pan-India presence and became synonymous with fast food in the country, the partnership between Bakshi and McDonald's turned sour after McDonald's tried to buy out Bakshi's 50% stake. McDonald's contended that CPRL was not maintaining the required quality and had failed to pay royalties for two years. In 2013, Bakshi was ousted as the MD of CPRL, but he was reinstated in 2017 after the case was referred to the National Company Law Tribunal (NCLT). The tribunal also barred McDonald's from interfering in CPRL's operations. On August 21, 2017, McDonald's terminated the franchise agreement with CPRL for 169 restaurants operating across northern and eastern India. Bakshi, however, continued to run his outlets as he had earlier. As the impasse continued, competitors started gaining ground in the lucrative Indian QSR market. McDonald's posted a loss of ₹ 3.05 billion in the financial year ended December 2017. Moreover, the mass closure of the restaurants disappointed customers and affected the brand image of McDonald's in the country. Going forward, analysts feared that McDonald's could lose a longterm growth opportunity in India's rapidly growing QSR market if it did not sort out its problems soon.

**20.** Identify the type of franchising between the two parties.

- (a) Product franchise business opportunity
- (b) Manufacturing-franchise opportunity
- (c) Business franchise opportunity venture
- (d) Business format franchise opportunity

**Ans. Option (d) is correct.**

**Explanation:** In this case, McDonald's operates under a business format franchise model with its joint venture partner, Connaught Plaza Restaurants (CPRL). This type of franchising involves a comprehensive system where the franchisor (McDonald's) provides not only the brand name but also the operational system, marketing strategy, and support. The franchisee (CPRL) is responsible for running the outlets while adhering to the established operational guidelines and standards set by McDonald's. This relationship is characterised by ongoing collaboration and support, which is typical of a business format franchise opportunity.

**21.** Which reason was stated for moving out of the franchising agreement by McDonalds with CPRL?

- (a) Non maintenance of required quality
- (b) Failure to pay royalties for two years
- (c) Both (a) and (b)
- (d) None of the above

**Ans. Option (c) is correct.**

**Explanation:** McDonald's decided to move out of the franchising agreement with Connaught Plaza Restaurants (CPRL) due to two main reasons:

- 1. Non-maintenance of the required quality standards by CPRL.
  - 2. Failure to pay royalties for two years.
- Both reasons contributed to McDonald's terminating the franchise agreement with CPRL, as mentioned in the case.

**22.** Venture capitalists are very selective in deciding while doing any investment because of:

- (a) Long growth period
- (b) High-risk linked with ventures
- (c) No asset assistance for investments made
- (d) All of the above

**Ans. Option (d) is correct.**

**Explanation:** Venture capitalists are very selective when deciding on investments due to several factors:

- 1. **Long growth period** – Many startups take time to grow and generate returns, which requires patience from the investors.
  - 2. **High-risk linked with ventures** – Startups, especially in their early stages, are risky, and there is a high probability of failure.
  - 3. **No asset assistance for investments made** – Venture capitalists often invest in intangible assets like ideas and intellectual property, meaning there is no collateral to recover in case the venture fails.
- All these reasons make venture capitalists cautious when selecting investment opportunities.

**23.** In which stage of the creative process, knowledge is developed into application?

- (a) Incubation
- (b) Illumination
- (c) Verification
- (d) Preparation

**Ans. Option (c) is correct.**

**Explanation:** During the verification stage, the idea or concept that has been generated in earlier stages, like preparation, incubation, and illumination, is critically evaluated and tested for practicality. The knowledge gained is applied and refined to ensure it is feasible and can be implemented in a real-world context. This is where ideas move from being theoretical to being practically applicable.

**24.** Jessica, Angelina and Natalie's modular kitchen business took off to a good start. Their talent was in high demand. Now, the trio needed to hire more people. Since the needs of their company were changing, they studied their personal situations, finances and goals. They decided to legally organise their organisation into one with a limited liability. State the form of organisation they will form.

- (a) Partnership
- (b) Public company
- (c) Private company
- (d) Company

**Ans. Option (c) is correct.**

**Explanation:** Jessica, Angelina, and Natalie decided to organise their business into one with limited liability to protect their personal assets and accommodate their growing business needs. A private company offers limited liability to its owners, meaning that their personal finances are protected in case of business debts or liabilities. Unlike a partnership, where partners can have unlimited liability, a private company is a better fit for their situation as it limits their personal financial exposure while still allowing them control over the business operations.

**25.** Arrange the stages of enterprise building process in correct order.

1. Identifying a product or service through innovation.
2. Spotting an opportunity by analysing the needs and problems of the society.
3. Setting up a project and nurturing it to success.
4. Evaluating the ideas received from different sources to find a creative solution.

- (a) 1,2,3,4                      (b) 2,4,1,3  
(c) 4,3,2,1                    (d) 3,2,1,4

**Ans. Option (b) is correct.**

**26.** When taking up a Franchise there are certain things to be kept in mind. Identify the one that is incorrect.

- (a) Seek advice from a franchise account
- (b) Consult existing franchisees
- (c) Planning for your exit
- (d) Following your passion

**Ans. Option (d) is correct.**

**Explanation:** While following your passion can be important, it is not always a practical or necessary consideration when taking up a franchise. Franchises are often more about proven business models and financial planning rather than personal passions. The other options—seeking advice from a franchise accountant, consulting existing franchisees, and planning for your exit—are crucial steps in ensuring the viability and long-term success of a franchise business.

**27.** This strategy of pricing can prove to be a disaster if competitors decide to lower the price of their products:

- (a) Penetration pricing
- (b) Variable pricing
- (c) Creaming or skimming
- (d) Cost-plus pricing

**Ans. Option (c) is correct.**

**Explanation:** Creaming or skimming is a pricing strategy where a company sets high prices initially to maximise profits from the market segment that is willing to pay more. If competitors lower their prices in response to this strategy, the company may lose its market share quickly as customers switch to more affordable options. This can lead to a significant drop in sales and profitability, making it a risky approach if competitors are aggressive in their pricing strategies.

**28.** From the following abstract, identify the form of synergy that was scrapped.

**Pfizer, Allergan scrap \$160 billion deal after U.S. tax rule change.**

**By Caroline Humer, Ankur Banerjee (Reuters)**  
U.S. drugmaker Pfizer Inc. PFE.N and Irelandbased Allergan Plc AGN.N walked away from their \$160 billion merger on Wednesday, a major win for President Barack Obama, who has been pushing to curb deals in which companies move overseas to cut taxes.

- (a) Operating synergy    (b) Financial synergy  
(c) Both (a) and (b)    (d) Neither (a) nor (b)

**Ans. Option (b) is correct.**

**Explanation:** Financial Synergy refers to the potential financial benefits a merger can provide, such as tax advantages, improved access to capital, and increased financial stability. In this case, the merger was influenced by the desire to cut taxes through the inversion strategy, which became less favorable due to the changes in U.S. tax rules.

**29.** By what other names can stock be associated with?

- (a) Securities                      (b) Shares  
(c) Equity                          (d) All of the above

**Ans. Option (d) is correct.**

**Explanation:** (a) Securities: This is a broad term that encompasses various financial instruments, including stocks, bonds, and other investment products.

(b) Shares: This specifically refers to the units of ownership in a company represented by stock.

(c) Equity: This term is often used interchangeably with stock to refer to ownership in a company, indicating the shareholders' claim on the company's assets and earnings.

Since all three terms can be associated with stock, (d) All of the above is the correct choice.

**30.** Bill Gates, who as an undergraduate at Harvard developed BASIC for the first computer. Which idea field do you think Bill Gates possessed to become one of the richest entrepreneurs?

- (a) Creative efforts (b) Trading related ideas  
(c) Market-driven idea (d) Natural resources

**Ans. Option (a) is correct.**

**Explanation:** Bill Gates demonstrated creative efforts by developing BASIC, an early programming language for personal computers. His ability to innovate and create software that addressed the needs of emerging technologies was pivotal in establishing Microsoft and shaping the personal computing landscape. This creative approach allowed him to leverage opportunities in the technology sector, ultimately leading to his status as one of the richest entrepreneurs in the world.

**31.** The images given below show famous mergers and acquisitions. Identify the image where there has been no merger and acquisition.

(a) 



(b) 

(c) 

(d) 

**Ans. Option (a) is correct.**

**Explanation:** The image showing Samsung and Apple would represent a scenario where there has been no merger or acquisition between the two companies. While Samsung and Apple have been significant competitors in the technology market, particularly in smartphones, they have not merged or acquired one another. Instead, they operate as independent entities, with Samsung providing components for Apple's devices (like displays and chips) but remaining distinct companies in the consumer electronics space.

**32.** Biju has been doing well in his manufacturing business of making recycled bags out of biodegradable waste. The business has picked up so much that he has no time for the distribution of his bags and is therefore planning to handover whatever output he produces to selling agents. Which channel of distribution will Biju be using?

- (a) Zero level (b) One level  
(c) Two level (d) Three level

**Ans. Option (b) is correct.**

**Explanation:** Biju's decision to hand over the output of his biodegradable bags to selling agents indicates that he is utilising a one-level channel of distribution. In this type of distribution channel, the manufacturer sells directly to a single intermediary, in this case, the selling agents, who then take on the responsibility of selling the product to the final consumers. This approach allows Biju to focus on his manufacturing operations while relying on agents to manage distribution and sales, thereby streamlining the process and ensuring that his products reach the market efficiently without the need for a complex network of intermediaries. One-level distribution is particularly effective for businesses that want to simplify their logistics while maintaining control over their product quality and brand representation.

**33.** Which element of innovation process involves giving rewards to employees?

- (a) Analytical planning  
(b) Resource organisation  
(c) Implementation  
(d) Commercial application

**Ans. Option (d) is correct.**

**Explanation:** In the innovation process, the element of commercial application not only involves bringing a new product or service to the market but also encompasses creating a supportive environment for employees. This includes recognising and rewarding their contributions and efforts, thereby motivating them to engage in innovative practices. Rewards can come in various forms, such as bonuses, recognition programs, or promotions, all of which play a crucial role in fostering a culture of innovation within the organisation.

**34.** Before estimating the amount of working capital certain factors are to be kept in mind. Identify the factor that is incorrect in the given option.

- (a) Nature of Business  
(b) Scale of operation  
(c) Seasonal factors  
(d) None of the above

**Ans. Option (d) is correct.**

**Explanation:** All the listed factors—nature of business, scale of operation, and seasonal factors—are crucial in estimating the amount of working capital required by a business. The nature of the business affects how much working capital is needed; for example, a retail business may require more working capital due to inventory needs compared to a service-oriented business. The scale of operation determines the volume of production or sales, which directly influences working capital needs. Seasonal factors also play a significant role, as businesses that experience seasonal demand fluctuations will need to plan for higher working capital during peak seasons and lower during off-seasons. Therefore, all the mentioned factors are valid and important considerations.

35. In the question given below there are two statements labelled as Assertion (A) and Reason (R). In the context of the two statements choose the correct option.

**Assertion (A):** Franchisors are well aware of the existing market conditions.

**Reason (R):** Franchisor with their knowledge and experience, can provide advice and assistance to the franchisee for carrying out a market for themselves.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A).
- (b) Both (A) and (R) are true but (R) is not the correct explanation of (A).
- (c) (A) is true but (R) is false.
- (d) (A) is false but (R) is true.

**Ans. Option (a) is correct.**

**Explanation:** Franchisors typically conduct thorough market research and analysis to understand the existing market conditions before expanding their business through franchising. This knowledge is essential for making informed decisions about potential franchise locations and strategies. Franchisors, drawing from their expertise and experience in the industry, offer valuable guidance and support to franchisees, helping them navigate market challenges and effectively establish their businesses. Thus, the reason explains why the assertion is accurate, confirming that both statements are true and related.

36. Sunidhi's idea of manufacturing sneakers with GPS trackers has now become a reality. She is now manufacturing the product and it is being sold in the market. Sunidhi now requires assistance for expansion, modernisation and diversification. Which stage of early stage financing is she in?

- (a) Seed capital finance
- (b) Pre start-up and start-up finance
- (c) Second-round financing
- (d) None of the above

**Ans. Option (c) is correct.**

**Explanation:** Sunidhi is in the second-round financing stage because she has already established her product in the market (manufacturing and selling sneakers with GPS trackers) and is now seeking additional funds for expansion, modernisation, and diversification.

Second-round financing typically occurs after the initial startup phase, when the business has proven its viability and requires more capital to grow further. This stage focuses on scaling the business rather than just getting it off the ground.

37. What is another name for family brand name?

- (a) Individual branding
- (b) Umbrella branding
- (3) Corporate branding
- (d) None of these

**Ans. Option (b) is correct.**

**Explanation:** Umbrella branding refers to a marketing strategy where a single brand name is used for multiple products, often under the same corporate family. This approach leverages the existing reputation of the brand to promote new products, enhancing recognition and trust among consumers. Family brand names are synonymous with umbrella branding as they encompass a range of related products under one overarching brand identity.

38. Victor and Martin started a partnership firm to help the old and aged. They collected money from various sources and used it to help all those who were in need.

Which characteristic of partnership are they violating?

- (a) Agreement
- (b) Unlimited liability
- (c) Profit motive
- (d) Utmost good faith

**Ans. Option (c) is correct.**

**Explanation:** In a traditional partnership, one of the key characteristics is the profit motive, where partners work together to generate profits from their business activities. However, Victor and Martin are focusing on helping the old and aged, collecting money to assist those in need rather than seeking profit. This indicates that they are violating the profit motive characteristic of a partnership, as their primary goal is not to earn profits but to provide assistance.

39. Creating new things of value as well as new and creative processes that add value to the existing product or service is called \_\_\_\_\_.

- (a) Innovation
- (b) Invention
- (c) Change
- (d) None of these

**Ans. Option (a) is correct.**

**Explanation:** Innovation encompasses both the development of entirely new products or services (product innovation) and the improvement or enhancement of existing offerings (process innovation). It is a crucial aspect of entrepreneurship and business strategy, as it drives growth, competitiveness, and adaptation in an ever-changing market.

40. Venture capitalist seek to exit from a business within a specified time period. The time period is:

- (a) 5-7 Years
- (b) 3-4 Years
- (c) 3-7 Years
- (d) 2-5 Years



**Ans. Option (a) is correct.**

**Explanation:** Venture capitalists typically seek to exit their investments within a time frame of 5 to 7 years. This period allows them to provide the necessary support and resources to the startups they invest in, facilitating growth and eventually achieving a return on their investment through various exit strategies such as an initial public offering (IPO), acquisition, or merger. The time frame is structured to balance the need for growth and the urgency of generating returns for their investors.

**Read the following case and answer the questions (41 to 44):**

UP-based Bajaj Hindustan is the largest sugar player by capacity. The company's working capital has increased due to high sugar inventory. However, this is the cyclical nature of the sugar industry. The company is not able to manage high working capital on the downturn of the cycle as sugar prices are fixed by the state.

This has resulted in a longer working capital cycle and has also impacted operating cash flows due to a mismatch in sugar prices. North India based companies, like Bajaj Hindustan, generally have higher working capital requirements compared to their southern counterparts due to higher raw material costs.

**41. How are sugar prices fixed in Uttar Pradesh?**

- (a) Through market forces of demand and supply
- (b) It is fixed by the state
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

**Ans. Option (b) is correct.**

**Explanation:** In Uttar Pradesh, sugar prices are regulated and fixed by the state government. This system aims to protect both consumers and sugarcane farmers by stabilising prices, which can lead to challenges for sugar manufacturers like Bajaj Hindustan, especially during downturns in the sugar cycle. The fixed pricing contributes to the company's longer working capital cycle and affects its operating cash flows, as it may not be able to adjust prices in response to fluctuations in the market.

**42. What is working capital?**

- (a) Money of a business which is used in its monthly trading operation.
- (b) Money of a business which is used in its quarterly trading operation.
- (c) Money of a business which is used in its day-to-day trading operations.
- (d) Money of business which is used in its annual trading operations.

**Ans. Option (c) is correct.**

**Explanation:** Working capital refers to the funds that a business uses for its everyday operational activities. It is essential for managing the company's short-term financial health and ensuring that it can cover its short-term liabilities with its short-term assets. Working capital is calculated as current assets minus current liabilities, and it reflects the liquidity position of the business, enabling it to meet its operational expenses and obligations efficiently.

**43. Why do North Indian sugar companies require higher working capital as compared to their southern counterparts?**

- (a) Interference of the state government
- (b) Higher cost of raw material
- (c) Labour turnover
- (d) Political instability

**Ans. Option (b) is correct.**

**Explanation:** North Indian sugar companies generally face higher working capital requirements compared to their southern counterparts primarily due to the elevated costs associated with raw materials. In the northern regions, the costs for inputs such as sugarcane can be significantly higher, impacting the overall working capital needed to maintain operations. This increased cost of raw materials requires these companies to have more working capital to manage their inventory and ensure smooth production processes, especially during the cyclical nature of the sugar industry.

**44. Which of the following has a shorter operating cycle?**

- (a) Manufacturing concern
- (b) Trading concern
- (c) Production concern
- (d) All of the above

**Ans. Option (b) is correct.**

**Explanation:** A trading concern typically has a shorter operating cycle compared to manufacturing or production concerns. This is because trading firms primarily buy and sell goods without the complexities of manufacturing processes. Their operating cycle involves purchasing inventory, selling it, and collecting cash relatively quickly. In contrast, manufacturing concerns involve additional steps like production, which can lengthen the operating cycle due to the time taken for manufacturing, assembly, and potentially longer sales periods.

**45. Which element of the business plan control the movement of the goods through the entire manufacturing process?**

- (a) Financial plan
- (b) Organisational plan
- (c) Operational plan
- (d) Production plan

**Ans. Option (c) is correct.**

**Explanation:** The operational plan is designed to control the movement of goods through the entire manufacturing process. It outlines the day-to-day operations required to produce goods, including the workflows, processes, and resources needed to ensure efficiency and effectiveness in production. By focusing on how production will be carried out, the operational plan plays a critical role in managing the entire manufacturing process from start to finish.

**46. During a time India was suffering from poor connectivity and a severe scarcity of the most critical digital resource-data. Data was not only scarce, but it was priced artificially high to make it unaffordable to a majority of Indians. This is when Mr. Mukesh Ambani launched his telecom venture JIO. JIO transformed all of these by making data abundant and affordable and available in every part of the country. What is the above paragraph trying to reveal about an entrepreneur?**

- (a) Business opportunity
- (b) Sensing entrepreneurial opportunity

- (c) Environment analysis
- (d) All of the above

Ans. Option (d) is correct.

**Explanation:** The paragraph indeed reflects several aspects of entrepreneurship:

- 1) **Business opportunity:** It indicates that a market need existed for affordable data services.
- 2) **Sensing entrepreneurial opportunity:** It emphasizes Mr. Ambani's ability to recognise and act upon that need.
- 3) **Environment analysis:** It highlights the context of poor connectivity and high prices, which is essential for understanding the market dynamics.

Thus, all three elements are relevant to the situation described, making option (d) a valid answer as well.

47. Good advertising generally provokes the four following responses from its target audience, commonly represented by the abbreviation AIDA which stands for:

- (a) Action, Innovation, Demand, Alertness
- (b) Attention, Interest, Desire, Action
- (c) Attractiveness, Invention, Dependency, Action
- (d) Agreeable, Definite, Degree, Allowance

Ans. Option (b) is correct.

**Explanation:** AIDA is a marketing acronym that represents the stages a consumer goes through during the buying process:

1. **Attention:** Capturing the consumer's awareness.
  2. **Interest:** Generating interest in the product or service.
  3. **Desire:** Creating a strong desire for the product or service.
  4. **Action:** Motivating the consumer to take the final step, which is making a purchase.
- This model is widely used in advertising to guide consumers through these steps.

48. Which of the following is not covered under 'Proforma Investment Decisions' of Financial Plan?
- (a) Preliminary expenses
  - (b) Margin for working capital
  - (c) Marketing research
  - (d) Investment in short-term assets

Ans. Option (c) is correct.

**Explanation:** Marketing research is typically not covered under the "Proforma Investment Decisions" of a financial plan. Proforma investment decisions usually focus on long-term capital expenditures like preliminary expenses, working capital, and investments in both long-term and short-term assets related to business operations.

Marketing research, on the other hand, is more associated with market analysis and planning rather than direct financial investment decisions.

49. The given image from renowned company is a powerful message that helps to communicate its goals, mission, distinct qualities, etc. Which feature of branding is being communicated?



- (a) Logo
- (b) Tagline
- (c) Labelling
- (d) Packaging

Ans. Option (b) is correct.

**Explanation:** A tagline is a memorable phrase that conveys the essence of a company's mission, values, or unique selling proposition. It often captures the brand's goals, distinct qualities and message in a concise way, helping to create a lasting impression on consumers and reinforcing the brand identity.

50. You are interested in opening a small cafe called "Hang Out", where you want to cater to the youth in your area. To advertise your business you use online banners and newspapers. Your approach towards promotion of your business is: in India. Arrange them in correct sequence on the basis of total power generation capacity (higher to lower):
- (a) Below the line
  - (b) Through the line
  - (c) Above the line
  - (d) Throughout the line

Ans. Option (c) is correct.

**Explanation:** Advertising through online banners and newspapers is considered above the line (ATL) promotion. ATL promotion refers to mass media methods of advertising that target a wide audience, such as through television, radio, newspapers, and online advertising. These platforms help businesses reach a large number of potential customers, often aiming for brand awareness.