

CBSE Board Examination – 2025

Entrepreneurship

Solved Paper

Class– 12th

Maximum Marks: 70

Time allowed: 3 hours

GENERAL INSTRUCTIONS:

Read the following instructions carefully and follow them:

- This question paper contains 34 questions. All questions are compulsory.
- This question paper is divided into four sections-Section A, B, C and D.
- Section A: Questions number 1 to 18 are Multiple Choice Type Questions, Each question carries 1 mark.
- Section B: Questions number 19 to 24 are Short Answer type-1 questions. Each question carries 2 marks. Write answer to each question in 30 to 40 words.
- Section C: Questions number 25 to 29 are Short Answer type-11 questions. Each question carries 3 marks. Write answer to each question in 50 to 70 words.
- Section D: Questions number 30 to 34 are Long Answer type questions. Each question carries 5 marks. Write answer to each question in 120 to 150 words.
- There is no overall choice. However, an internal choice has been provided in Section B, C and D of question paper. A candidate has to attempt only one of the alternatives in such questions.

SECTION– A

- "The business of partnership firm can be carried on by all the partners or any one of them acting for all". This statement indicates which of the following characteristics of a partnership? 1
(A) Agreement (B) Implied authority
(C) Mutual agency (D) Utmost good faith
- Shivam is manufacturing hair straightening flat irons and supplying them to various beauty salons across the city. Over the last few months he observed that the sale of flat irons has decreased drastically. He tried to find out the reason. He found that the hair experts have started recommending ceramic irons which are now being sold by competitors in the market. So, he also started manufacturing ceramic irons based on new technology with added features like curling, crimping, etc.
Identify the source of idea field used by Shivam : 1
(A) Trading Related Ideas
(B) Existing Products or Services-Based Ideas
(C) Service Sector Ideas
(D) Market Driven or Demand Driven Ideas
- In this method of pricing, goods are sold at higher prices so that fewer sales are needed to break even. It also helps the company in recovering the research and development costs which are associated with the development of a new product.
This method of pricing is: 1
(A) Penetrating pricing (B) Cost-plus pricing
(C) Variable pricing (D) Creaming pricing
- Look at the given picture and state what it represents out of the following: 1
- Sudershan has undergone skill development training for maintenance of electronic items, from an institute started under the 'Skill Development Mission' by the Government of India. He wants to start his own small business in his locality with ₹1,00,000 given by his father as capital. He himself wants to manage and control this business, employing some assistants, if required. Out of the following, suggest the form of business organisation he can adopt. 1
(A) Public Limited Company
(B) Private Limited Company
(C) Partnership
(D) Sole Proprietorship
- A business opportunity can be described as an economic idea which can be implemented to create _____ and earn profits. 1
(A) customers
(B) competitors
(C) a business enterprise
(D) an economic environment
- Match the given components of a Business Plan in Column I and their meaning in Column II. Choose the correct option from the options given below: 1

Column I (Business Plan)	Column II (Meaning)
(1) Production Plan	(i) That part of the business plan that describes the proposed venture's form of ownership.
(2) Operational Plan	(ii) That part of the business plan where transformation of raw material into finished product takes place with the help of energy, capital, manpower and machinery.



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(3) Organisational Plan	(iii) That part of the business plan which organises for the movement of material, performance of machines and operations of labour into a defined direction.
(4) Marketing Plan	(iv) That part of the business plan which provides guidelines regarding the marketing objectives, strategies and activities to be followed by the new enterprise.

Options:

- (A) (1)-(iv), (2)-(i), (3)-(iii), (4)-(ii)
 (B) (1)-(ii), (2)-(iii), (3)-(i), (4)-(iv)
 (C) (1)-(i), (2)-(iv), (3)-(ii), (4)-(iii)
 (D) (1)-(iii), (2)-(ii), (3)-(iv), (4)-(i)
8. 'Payal Ltd.' is the manufacturer of high end costly water purifiers. Their water purifiers are unique and different from the purifiers available in the market. For its marketing they appointed salespersons who will go door-to-door and explain the unique features of their product.
- From the following, identify the channel of distribution adopted by 'Payal Ltd.': 1
- (A) Three-Level Channel
 (B) Two-Level Channel
 (C) One-Level Channel
 (D) Zero-Level Channel
9. Patents _____ 1
- (i) grant an inventor the right to exclude others from making, using, selling, offering to sell and importing an invention for a limited period of time, in exchange for the public disclosure of the invention.
- (ii) give the creator of the original work exclusive rights, usually for a limited period.
- (iii) are a recognisable sign, design or expression which distinguishes products or services of a particular trade from the similar products or services of other traders.
- (iv) protect the visual design of objects that are not purely utilitarian. It can be a two - or three-dimensional pattern used to produce a product.
- Choose the correct option from the following:**
- (A) (i) only (B) (i) and (ii)
 (C) (iii) and (iv) (D) (ii) and (iii)
10. A brand or a part of a brand that is given legal protection against its use by other firms is called _____. 1
- (A) Brand name (B) Brand mark
 (C) Trademark (D) Logo
11. 'Bharat Cars Ltd.' is the manufacturer of small cars in India and 'Swadeshi Ltd.' is the manufacturer and supplier of car parts. Both the companies decide to merge as such a merger would allow 'Bharat Cars Ltd.' to obtain better pricing on parts and have better

control over the manufacturing process. 'Swadeshi Ltd.' would also be guaranteed a steady stream of business.

The type of merger is: 1

- (A) Market Extension Merger
 (B) Vertical Merger
 (C) Horizontal Merger
 (D) Product Extension Merger

12. This is the title or cover page that provides a brief summary of a business plan's contents: 1

- (A) Description of Venture
 (B) General Introduction
 (C) Production Plan
 (D) Operational Plan

13. Read the following statements: Assertion (A) and Reason (R). 1

Assertion (A): It is not compulsory to register a partnership firm as there are no penalties for non-registration.

Reason (R): An unregistered partnership firm can file a suit in any court against the firm or other partners for enforcement of any right arising from a contract or right conferred by the Partnership Act.

Choose the correct option from the options given below:

Options::

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

14. 'Return on Investment' is a critical profitability ratio. It is calculated as follows: 1

$$\text{Return on Investment (ROI)} = \frac{\text{Net Profit}}{\text{-----}} \times 100$$

Choose the correct option from the following:

- (A) Equity
 (B) Debt
 (C) Total Capital Invested
 (D) Debt + Interest on Debt

15. Which of the following is not a current liability? 1

- (A) Outstanding rent (B) Short-term investment
 (C) Trade creditors (D) Short-term loans

16. Which of the following methods of floatation of new issues is used by the company, when the company directly sells its securities to a limited number of sophisticated investors and at times does not want to disclose information to the open market? 1

- (A) Public Issue (B) Rights Issue
 (C) Private Placement (D) Offer to the Employees

17. In _____ acquisition, a public company is taken over by a private company. 1

- (A) friendly (B) reverse
 (C) backflip (D) hostile

18. 'Techworks' is a company selling electronic products. To keep track of inventory and manage sales efficiency each and every item in the inventory is assigned a unique code which signifies certain aspects of the item. Its unique code is a combination of alpha and numeric and is used not only for data collection, but also for further manipulation for deriving meaningful statistics and decision-making. However, over time, due to advancement in technology, certain items may not be used and their demand drops off. 'Techworks' faces a challenge of dealing with these products, particularly with technology evolving quickly.

Some of the items that make up the inventory of 'Techworks' as discussed above are _____ and _____.

- (A) Stock Keeping Unit (SKU) code, Motley Crowd
- (B) Motley Crowd, demand not uniform or not predictable
- (C) obsolescence, shelf life
- (D) Stock Keeping Unit (SKU) code, obsolescence

SECTION- B

19. (a) What is a 'Business Opportunity'? List any two elements of Business Opportunity. 2

OR

- (b) Various factors are involved in sensing opportunities. 'Ability to perceive and preserve basic ideas' is one of them. Identify and state any four sources that lead to the emergence of basic ideas. 2

20. Manorama opened a retail outlet in Bengaluru selling ready-made fashionable garments like t-shirts, skirts, kurtis, etc. for girls. Her decision was based on recent trends in clothing of young girls.

Since fashion changes very fast in the garments business, Manorama not only wanted to understand the business environment but also wanted to adapt it to succeed in the long run. So, she monitored fashion trends through social media and introduced sustainable clothing.

A keen watch on the trends in the environment had sensitised Manorama to the changing needs of customers.

By doing this, Manorama is concentrating on one of the points of importance of environment.

- (a) Identify the point of importance of environment discussed above.
- (b) Explain with the help of one more point how sensitivity to environmental factors is crucial for an entrepreneur. 2

21. (a) Deepa, Guddi and Vani are partners in a firm sharing profits and losses in the ratio of 3:2:1. Deepa wants to transfer half of her share in favour of her son Deepak without the consent of Guddi and Vani. Can Deepa transfer her share? Give reason in support of your answer. State the feature of partnership highlighted in the above case.

OR

- (b) Aruna, passionate about baking, opened a bakery shop. She borrowed ₹50,000 from her father and took a loan of ₹1,00,000 from a bank to start the business. To attract customers, she set the prices too low. Later on she noticed that the revenue earned by her was not enough to even cover the costs. When the loan amount became due, she was not in a position to pay. The bank recovered the loan from Aruna's personal assets, including her savings and property.

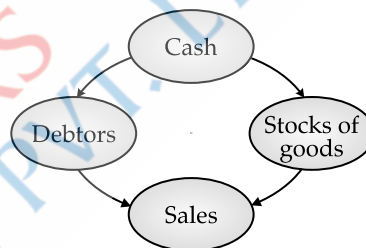
Can Aruna's personal property be called upon to pay her business debts? Give reason in support of your answer. State the feature of sole proprietorship highlighted in the above case.

22. After completion of his training of cutting, tailoring and embroidery from a skill development institute, Sujit wanted to start his own business. He discussed this idea with his mother who advised him to identify the new trends in this area. She also advised him to take the help of professional trend spotters for this. When Sujit contacted some of the best professional trend spotters, he found that their fee was too high. So he decided to do this work himself, started reading the leading publications and visited websites related to the type of business he wanted to start. This way he was able to spot related trends.

Identify and explain the method used by Sujit to spot the trends. Also list two other ways in which trends can be spotted. 22

23. Explain 'A pitch deck with oral narrative' as a format of a business plan. 2

24. (a) Given below is the 'Cash Conversion Cycle'.



- (i) Identify the type of business to which the above cash conversion cycle belongs.
- (ii) Draw a 'cash conversion cycle' for another type of business other than that identified in (i) above. 2

OR

- (b) Give the meaning of ABC analysis technique of inventory control. 2

SECTION- C

25. 'Chai Cart', an Indian company, was set up in 2021 near a prime office hub in Nurgaon. The company aimed to fulfil the high demand for tea among office goers. Within a few months, the demand picked up and the business started earning good profits. In response to the rising demand, the company decided to expand its operations. Expansion of its business could be based on activities or on acquisition of ownership and control of other business concerns.

'Chai Cart' expanded its present production capacity by adding more machines. Furthermore, it opened its branches in shopping malls, airports and suburban locations, allowing it to reach more customers and to increase brand visibility. They also introduced new products, including a wider range of food items, coffee and other beverages to attract more customers. In this way, the company increased its business activities and broadened its present capital structure.

- (a) Identify and explain the type of expansion discussed in the above paragraph.
 - (b) Also explain one other type of expansion. 3
26. (a) 'Carefully identifying the product or service features, design, as well as the resources that will

be needed' is an element in the innovation process. Explain its other three elements. 3

OR

- (b) The process of creativity involves various steps. One of the steps is related to transition period, 'where the entrepreneur starts thinking about the idea and implementation in his subconscious mind'. Explain the next three steps followed by this. 3
27. 'Golden Ice Cream Limited' is a manufacturer and supplier of ice creams. They set the price of their various icecream varieties based on manufacturing estimates. The company had been earning good profits over the last many years as there were no competitor in the market for their icecreams. However, during the last year, the company incurred heavy losses. On investigation they noticed that while setting the prices, they did not take into account the actions of competitors, which may have led to those losses. Additionally, the pricing method used by the company includes sunk cost and ignores opportunity costs.
- (a) Identify the pricing method used by the company. 3
- (b) Explain any two advantages of the pricing method identified in (a) above. 3
28. (a) Explain any three product-related considerations to be used by an entrepreneur while selecting the channel of distribution. 3

OR

- (b) Explain 'above-the-line' promotion strategy used by a company to promote its products. 3
29. 'Kwality Book Store' sells 40,000 chart papers per year. The demand is constant throughout the year. The purchase cost is ₹ 10 per chart paper. Holding cost per annum is 20% of purchase cost, ordering cost is ₹ 100 per order. Calculate the Economic Order Quantity. 3

SECTION- D

30. 'Bharat Ltd.' is a manufacturer of electronic items. In 2022-23, the company decided to enter into manufacturing Artificial Intelligence-based computers. Being highly complex and tedious, the manufacturing process of these computers needed to be thoroughly planned.
- (a) Identify the component of business plan discussed in the above paragraph. 5
- (b) State the objective of the component identified in (a) above. 5
- (c) List five points that are needed to be described in this component of business plan, if the manufacturing is to be carried out in whole by 'Bharat Ltd.'. 5
31. (a) What is meant by 'franchising'? Explain the main components of a franchise agreement. 5

OR

- (b) Explain any five forms of 'Synergy'. 5
32. 'Good Air Ltd.' is the manufacturer of different types of electric fans like ceiling fans, table fans, exhaust fans, etc. It wanted to start its operations in the recently electrified rural areas ahead of its competitors. It invested in research and development to adopt new technology so that it could produce energy efficient fans at lower cost.

The government was stable for the last many years and was focusing on electrification of rural areas. 'Good Air Ltd.' took advantage of this and started its operations. The company complied with health and safety regulations, as well as environmental protection laws, to ensure customer safety. As its policy, the company also assures compensation to its customers in case of an injury or accident due to its fans.

Since the disposable income of the people in rural areas was low, the company offered an instalment scheme, making its products more accessible to them. Committed to sustainability, the company ensures that its production causes minimum environmental damage. For this, it focuses on reducing waste by recycling production by-products and using biodegradable packaging materials whenever possible.

Quoting lines from the above text, identify five macro environmental factors that the company took into consideration while operating its business. 5

33. 'Royal Fruit Juice Ltd.' is the manufacturer of different types of fruit juices. They do not use any artificial colours in their products. The fixed cost of the production process is ₹1,76,000. Given below is information about Mango, Orange and Guava fruit juices.

Type of Juice →	Mango (Per Litre)	Orange (Per Litre)	Guava (Per Litre)
Selling Price (₹)	150	135	100
Variable Cost (₹)	80	65	60
Sales Mix Percentage	20%	40%	40%

From the above data, calculate the following:

- (a) Total weighted average contribution margin per unit. 5
- (b) Break-even point in units of sales mix. 5
- (c) Break-even point (in ₹) for each type of juice. 5
34. (a) 'It is an equity-based investment in a growth-oriented small to medium business to enable the investor to accomplish objectives in return for minority shareholding in the business.'

This investment has to be carefully evaluated and analysed by an entrepreneur to find out the stage at which he/she requires this investment to assist in.

- (i) Identify the type of capital discussed in the above lines. 5
- (ii) Explain the three stages included in 'Early Stage Financing' if the capital identified in (i) above is required at this stage. 5

OR

- (b) 'An affluent individual who provides capital for a business start-up and early stage companies having a high-risk, high-return matrix usually in exchange for convertible debt or ownership equity.'
- (i) Identify the source to raise finance available to an entrepreneur discussed in the above lines. 5
- (ii) State any four features of the source of raising finance discussed in (i) above. 5

ANSWERS

SECTION- A

1. Option (C) is correct

Explanation: This statement reflects the principle of mutual agency, whereby each partner acts as both an agent and a principal of the firm. This means that any partner can bind the firm and the other partners through their actions within the scope of the business.

2. Option (D) is correct

Explanation: Shivam identified that the demand for ceramic irons was increasing because hair experts were recommending them over traditional flat irons. In response, he adapted his product line to align with market trends and customer preferences. This indicates that his idea was driven by market demand.

3. Option (D) is correct

Explanation: Creaming pricing (also known as price skimming) involves setting high initial prices for a new product, especially when it has unique features or technological advancements. This strategy helps companies recover R&D costs and target early adopters willing to pay a premium before gradually lowering prices over time.

4. Option (A) is correct

Explanation: A logo is a visual symbol or design used to represent a brand, company, or institution, making it easily recognisable. The SBI logo features a blue circle with a small cut at the bottom, symbolising simplicity and security.

5. Option (D) is correct

Explanation: Sudershan wants to start a small business with ₹1,00,000 as capital, manage and control it independently, and hire assistants if needed. These characteristics align with a sole proprietorship, which is a simple, individually owned business with full control and limited financial investment.

6. Option (C) is Correct

Explanation: A business opportunity is an economic idea that can be implemented to establish a business enterprise and generate profits. This aligns with the fundamental concept of entrepreneurship, where ideas are transformed into viable businesses.

7. Option (B) is correct

Explanation: The correct matching is:

- 1. Production Plan** → (ii) Transformation of raw material into finished product with energy, capital, manpower and machinery.
- 2. Operational Plan** → (iii) Organises movement of material, performance of machines and operations of labour.

3. Organisational Plan → (i) Describes the proposed venture's form of ownership.

4. Marketing Plan → (iv) Provides guidelines regarding marketing objectives, strategies and activities.

8. Option (D) is correct

Explanation: In the given case, Payal Ltd. is selling high-end water purifiers directly to customers by employing salespersons who go door-to-door. This means there are no intermediaries like wholesalers or retailers involved in the sales process. Instead, the company itself is handling the distribution and sales. This type of distribution is known as the Zero-Level Channel (also called Direct Selling), where the manufacturer sells the product directly to the consumers without involving intermediaries. This approach is commonly used for expensive or unique products where direct interaction with customers helps in explaining product benefits effectively.

9. Option (A) is correct

Explanation: Statement (i) correctly defines a patent by stating that it grants an inventor the right to exclude others from making, using, selling, or importing an invention for a limited period.

10. Option (C) is correct

Explanation: A brand is a unique identity that distinguishes a company's product or service from others. When a brand or part of a brand is legally protected against unauthorised use by other firms, it is called a trademark.

11. Option (B) is correct

Explanation: The given case describes a merger between Bharat Cars Ltd., a car manufacturer, and Swadeshi Ltd., a supplier of car parts. Since Swadeshi Ltd. is part of the supply chain for Bharat Cars Ltd., this merger aims to secure better pricing on parts and greater control over the manufacturing process. This type of merger is classified as a Vertical Merger, where a company merges with its supplier or distributor to improve efficiency, reduce costs and ensure a steady supply of inputs.

12. Option (B) is correct

Explanation: The general introduction serves as the summary of the business plan on the title page, briefly highlighting what the document contains.

13. Option (C) is correct

Explanation: According to the Indian Partnership Act, 1932, registration of a partnership firm is not mandatory, and there is no penalty for non-registration. However, an unregistered firm faces legal disadvantages. An unregistered partnership firm cannot file a suit against third parties, the firm, or other partners for enforcing contractual rights. However, third parties can sue the unregistered firm. This is a key legal restriction imposed by the Act to encourage registration.

14. Option (C) is Correct

Explanation: ROI is calculated using the total capital invested, which includes both equity and debt.

15. Option (B) is correct

Explanation: It is an asset, as it represents money invested for a short period.

16. Option (C) is correct

Explanation: It involves the direct sale of securities to institutional investors, venture capitalists, or select individuals.

17. Option (B) is correct

Explanation: Reverse acquisition refers to a private company taking over a public company.

18. Option (D) is correct

Explanation: These directly relate to inventory tracking and outdated products.

SECTION- B

19. (a) Business Opportunity:

A business opportunity refers to a favourable set of circumstances that allows an entrepreneur to launch a new business or expand an existing one. It arises from an unmet customer need, market gap, or innovation that can be turned into a profitable venture.

A business opportunity has five elements which are as follows:

- Assured market scope
- An attractive and acceptable rate of return on investment
- Practicability of the idea
- Competence of the entrepreneur to encash it
- Potential of future growth (Any two)

OR

(b) Entrepreneurs identify business opportunities by perceiving and preserving basic ideas from various sources. The emergence of basic ideas can be attributed to the following sources:

1. **Problems** – Identifying and solving problems faced by people can lead to innovative business ideas.
2. **Changes in Environment** – Economic, social, technological and legal changes create new business opportunities.
3. **Innovation** – Creating new things of value as well as new and creative processes that add value to the existing products or services. For example, computers to tablets.
4. **Competition** – Competition in the market creates better ideas which result in the creation of new business opportunities.

20. (a) The point of importance of the environment discussed above is "Sensitisation of entrepreneurs to cope up with rapid changes". Manorama monitored fashion trends through social media and introduced sustainable clothing to align with changing customer preferences.

(b) Another point that highlights the importance of sensitivity to environmental factors for an entrepreneur is "First Mover Advantage." Entrepreneurs who closely observe and adapt to environmental changes can introduce innovations before competitors, giving them a competitive edge in the market.

21. (a) No, Deepa cannot transfer her share to her son Deepak without the consent of Guddi and Vani.

Reason: According to the **mutual agency** and **non-transferability of interest** feature of a partnership, a partner cannot transfer their share in the firm to an outsider without the unanimous consent of all other partners. A partnership is based on mutual trust and agreement among partners, and any change in ownership requires the approval of all.

Feature of partnership highlighted: Restriction on the transfer of share.

OR

(b) Yes, Aruna's personal property can be used to pay her business debts.

Reason: In a sole proprietorship, the owner has unlimited liability, meaning that if the business incurs losses or debts, the proprietor's personal assets, such as savings and property, can be used to settle the liabilities.

Feature of sole proprietorship highlighted: Unlimited liability.

22. Method used by Sujit to spot trends: Read trends

Entrepreneurs regularly read industry reports, market analyses, consumer behaviour studies, and thought leadership articles. This could include subscribing to newsletters, following blogs and reading books on emerging business practices or innovations.

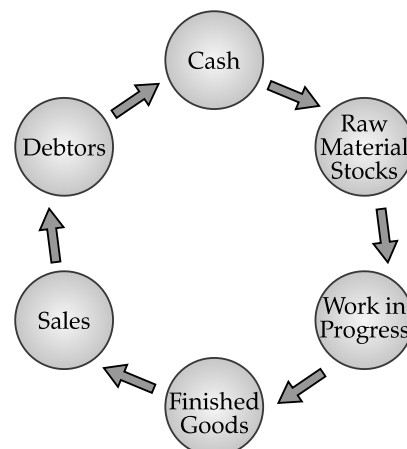
Two other ways to spot trends:

- (i) Talk trends
- (ii) Watch trends
- (iii) Think trends

23. A pitch deck with an oral narrative is a concise and visually engaging format of a business plan, typically presented through a slide deck (e.g., PowerPoint or PDF) accompanied by a spoken explanation. It is designed to capture the interest of investors by summarising key aspects such as the business idea, market opportunity, revenue model and competitive advantage in a compelling and structured manner. The oral narrative enhances the impact by providing context, storytelling and answering investor queries in real time.

24. (i) The given cash conversion cycle belongs to a trading or merchandising business. This is evident from the flow of cash into stock, which is later converted into sales, generating debtors and ultimately returning to cash. This cycle is common in businesses that purchase goods for resale, such as retail stores or wholesalers.

(ii) A cash conversion cycle for a manufacturing business can be drawn as:



OR

- (b) ABC Analysis is based on Pareto's Principle (the 80/20 rule), which suggests that a small percentage of items (typically 20%) contribute to a large portion (usually 80%) of the value, and the rest have a lesser impact.

In ABC Analysis:

- **A-items:** Make up about 20% of the SKUs but contribute to 80% of the value. These require the most attention and tight inventory control.
- **B-items:** Account for about 30% of the SKUs and contribute to 15% of the value. They require moderate attention.
- **C-items:** Represent about 50% of the SKUs but contribute only 5% of the value. These can be managed with less focus and simpler controls.

This breakdown helps businesses prioritise their efforts and resources, ensuring that critical items are well-managed while low-value items receive less attention.

SECTION- C

25. (a) The type of expansion discussed in the paragraph is internal expansion .

Internal expansion occurs when a business grows by increasing its existing production capacity, opening new branches, or introducing new products. In the case of 'Chai Cart', the company expanded by adding more machines, opening new branches at various locations, and diversifying its product offerings. These activities helped the company enhance its brand visibility, attract more customers and strengthen its capital structure.

- (b) Another type of expansion is external expansion.

External expansion happens when a business grows by acquiring ownership or control of other business entities through mergers, acquisitions, takeovers, or franchising. This type of expansion allows companies to gain access to new markets, benefit from economies of scale and increase their competitive advantage. For example, if Chai Cart were to acquire a competing tea chain or enter into a franchise agreement, it would be an example of external expansion.

26. (a) The element mentioned in the question refers to "Analysing the Opportunity" in the innovation process.

The other three elements are:

- **Resource organisation:** Obtaining the required resources, materials, technology, human or capital resources.
- **Implementation:** Applying the resources in order to accomplish the plans and delivering results.
- **Commercial application:** The provision of value to customers, reward employees and satisfy the stakeholders.

OR

- (b) The step mentioned in the question refers to incubation, where the entrepreneur subconsciously processes the idea. The next three steps in the process of creativity are:

1. **Illumination** – In this period of illumination, the idea resurfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea.
2. **Verification** – In this step, the idea is critically examined and evaluated for its feasibility. It involves testing, refining and validating the concept through research, prototyping, or feedback to determine if it is practical and valuable.
3. **Implementation** – This final stage involves converting the refined idea into a real product, service, or business venture. It includes executing the plan, arranging resources and launching the idea in the market to bring it to life.

27. (a) The pricing method used by the company is Cost-Plus Pricing. This method involves setting the price of a product based on the manufacturing costs, with a markup for profit. In the case of Golden Ice Cream Limited, the company set its prices based on manufacturing estimates, which suggests a cost-plus pricing strategy.

(b) **Two advantages of Cost-Plus Pricing are:**

1. **Simplicity** – The method is easy to apply because it involves calculating the production cost and adding a predetermined markup. It does not require complex market research, making it a straightforward approach for businesses to determine pricing.
2. **Ensures Profit Margin** – By adding a fixed markup to the cost of production, the company ensures a consistent profit margin on each unit sold. This makes it easier to predict and plan for financial stability.

28. (a) An entrepreneur must consider various product-related factors when selecting a channel of distribution. Three key considerations are:

1. **Nature of the Product** – Perishable and fragile goods, such as dairy products or glassware, require shorter distribution channels to maintain quality, whereas durable goods like electronics can use longer distribution networks.
2. **Product Complexity and Customisation** – Highly technical or customised products, such as machinery or luxury cars, require direct selling or specialised intermediaries who can provide demonstrations and after-sales services.
3. **Unit Value of the Product** – Expensive items, such as jewellery or high-end electronics, are often sold through direct or selective channels, whereas low-cost, fast-moving consumer goods (FMCG) are distributed through wholesalers and retailers for wider reach.

OR

- (b) **Above-the-Line (ATL) Promotion Strategy** refers to mass media marketing techniques used by companies to create brand awareness and reach a wider audience. It involves advertising through non-targeted, conventional channels to influence consumer perception.

Key features of ATL promotion include:

1. **Mass Media Advertising** – It primarily uses platforms such as television, radio, newspapers, magazines and billboards to reach a large audience.
2. **Brand Awareness and Recall** – The objective is to enhance brand visibility and establish a strong presence in market.
3. **Non-Personalised Approach** – Since ATL strategies cater to a broad audience, they do not provide direct interaction with potential customers.

29. The EOQ formula is given by:

$$Q = \sqrt{\frac{2PD}{C}}$$

OR

$$EOQ = \sqrt{\frac{2DS}{H}}$$

where:

- D = 40,000 (Annual demand)
- P or S = 100 (Ordering cost per order)
- C or H = 20% of purchase cost = $20\% \times 10 = 2$ (Holding cost per unit per year)

Substituting the values:

$$\begin{aligned} EOQ &= \sqrt{\frac{2 \times 40,000 \times 100}{2}} \\ &= \sqrt{\frac{80,00,000}{2}} \\ &= \sqrt{40,00,000} \\ &= 2000 \end{aligned}$$

The Economic Order Quantity (EOQ) is 2000 units.

SECTION– D

- 30 (a) The component of the business plan discussed in the paragraph is the **Production Plan**.
- (b) The objective of the Production Plan is to outline the manufacturing process, determine the required resources, establish quality control measures and ensure the efficient production of goods to meet market demand.
- (c) If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe:
- (i) the physical plant layout,
 - (ii) the machinery and equipment required to perform the manufacturing operations,
 - (iii) raw materials and suppliers names, addresses, terms and conditions,
 - (iv) cost of manufacturing
 - (v) any future capital equipment required, etc.

31. (a) Franchising is a business arrangement where the franchisor grants the franchisee the right to operate a business using its brand name, products and business model in exchange for a fee or royalty. It allows for business expansion while maintaining brand consistency.

Main Components of a Franchise Agreement:

1. **Contract Explanation:** It is a part of the agreement which outlines the type of relationship in which the franchisor and franchisee are entering.
2. **Operations Manual:** These are the legal guidelines which have to be followed by the franchisee. Amendments can be made in the operations manual from time to time.
3. **Proprietary Statement:** It outlines the instructions regarding the use of the name of the franchisor and the advertising procedures to be followed.
4. **Ongoing Site Maintenance:** It includes the instructions regarding the maintenance and upgrades required to be done by the franchisee.

OR

- (b) **Five Forms of Synergy**

Synergy occurs when two or more entities combine their efforts to produce a greater outcome than they could achieve individually. The different forms of synergy include:

1. **Revenue Synergy** – Arises when two businesses merge or collaborate to enhance sales and expand market reach, leading to increased revenue.
2. **Cost Synergy** – Achieved by reducing costs through shared resources, bulk purchasing, or eliminating redundancies in operations.
3. **Financial Synergy** – Occurs when companies combine their financial strengths, leading to better creditworthiness, lower capital costs and improved investment opportunities.
4. **Managerial Synergy** – Results from combining expertise and leadership skills, leading to better decision-making and operational efficiency.
5. **Technological Synergy** – Emerges when businesses integrate their technological capabilities, improving innovation, product development and competitiveness.

32. Five Macro Environmental Factors Considered by 'Good Air Ltd.'

1. **Technological Environment**

"It invested in research and development to adopt new technology so that it could produce energy-efficient fans at lower cost."

2. **Political Environment**

"The government was stable for the last many years and was focusing on electrification of rural areas. 'Good Air Ltd.' took advantage of this and started its operations."

3. Legal Environment

"The company complied with health and safety regulations, as well as environmental protection laws, to ensure customer safety."

4. Economic Environment

"Since the disposable income of the people in rural areas was low, the company offered an instalment scheme, making its products more accessible to them."

5. Natural Environment

"Committed to sustainability, the company ensures that its production causes minimum environmental damage. For this, it focuses on reducing waste by recycling production by-products and using biodegradable packaging materials whenever possible."

33. Step 1: Contribution Margin Per Unit

CM = Selling Price – Variable Cost

Mango: $150 - 80 = 70$

Orange: $135 - 65 = 70$

Guava: $100 - 60 = 40$

Step 2: Total Weighted Average Contribution Margin per Unit

Weighted CM = $(CM_{\text{Mango}} \times \text{Sales Mix}_{\text{Mango}}) + (CM_{\text{Orange}} \times \text{Sales Mix}_{\text{Orange}}) + (CM_{\text{Guava}} \times \text{Sales Mix}_{\text{Guava}})$

$= (70 \times 0.2) + (70 \times 0.4) + (40 \times 0.4)$

$= 14 + 28 + 16 = 58$

Thus, the **weighted average contribution margin per unit is ₹58**.

Step 3: Break-Even Point in Units of Sales Mix

Break-Even Point (BEP) in units is calculated as:

$$\begin{aligned} \text{BEP (units)} &= \frac{\text{Fixed Cost}}{\text{Weighted CM per unit}} \\ &= \frac{1,76,000}{58} \\ &= 3,034.48 \approx 3,035 \text{ units} \end{aligned}$$

Thus, the break-even point in units of sales mix is 3,035 units.

Step 4: Break-Even Sales in ₹ for Each Juice

Break-Even sales for each juice type are:

BEP for Juice = BEP (Units) \times Sales Mix \times Selling Price

Mango = $3,035 \times 0.2 \times 150 = 91,050$

Orange = $3,035 \times 0.4 \times 135 = 1,63,890$

Guava = $3,035 \times 0.4 \times 100 = 1,21,400$

Thus, the break-even sales in ₹ are:

Mango: ₹ 91,050

Orange: ₹ 1,63,890

Guava: ₹ 1,21,400

34 (a) (i) The type of capital discussed in the above lines is **Venture Capital**. It is an equity-based investment provided to small and medium businesses with high growth potential in exchange for minority shareholding.

(ii) The three stages included in Early Stage Financing, where venture capital is required, are:

- 1. Seed Capital:** This is the initial funding used for market research, product development and proof of concept. The amount is typically small and used for assessing the feasibility of the business idea.
- 2. Start-up Capital:** If the idea/product/process is qualified for further investigation and/or investment, the process will go to the second stage; this is also called the start-up stage. A business plan is presented by the entrepreneur to the VC firm. A management team is being formed to run the venture. If the company has a board of directors, a person from the VC firms will take seats at the board of directors.
- 3. Second-round financing:** At this stage, we presume that the idea has been transformed into a product and is being produced and sold. This is the first encounter with the rest of the market, the competitors and attempt is to squeeze in the market and get some market share from the competitors. The entrepreneur, at this stage, needs assistance from the Venture Capitalist for expansion, modernisation, diversification so that the economies of scale and stability could be attained.

OR

(b) (i) The source to raise finance available to an entrepreneur discussed in the above lines is **Angel Investor**. Angel investors are affluent individuals who provide capital to startups and early-stage companies in exchange for convertible debt or equity ownership.

(ii) Four features of Angel Investors:

- 1. High-Risk, High-Return Investment:** Angel investors finance startups with high growth potential but significant risks.
- 2. Experienced Professionals:** Angel investors are typically current or retired executives, business owners, or high-net-worth individuals who bring not only funds but also valuable industry knowledge and expertise to help start-ups align with industry standards.
- 3. Active Involvement:** Many angel investors offer mentorship, industry expertise and business networking opportunities to help startups succeed.
- 4. Early-Stage Funding:** They invest in businesses at the seed or early growth stage, often before venture capitalists step in.