



II. SHORT ANSWER TYPE QUESTIONS

Question 1. Describe two types of human activities.

Answer: Activity can be classified as:

- (i) Economic activities: Those activities which are undertaken to earn monetary gains are called economic. It includes Production, Distribution and Consumption of goods and services.
- (ii) Non-economic activities: Those activities which are done out of love, care, affection, self-satisfaction, emotions, sympathy, patriotism, etc. but not for money are known as non economic activities.

Question 2. Every business entity needs to select an appropriate legal structure or framework to work in. Why?

Answer:

- (i) Setting-up a business is not an easy task.
- (ii) An enterprise is a separate and distinct unit, institutionally arranged to conduct any type of business activity.
- (iii) It needs to combine the necessary beings, materials, tools, equipments, working space and appurtenances, brought together in a systematic and effective manner to accomplish the entrepreneur's desired objective. Thus, every business entity needs to select an appropriate legal structure or framework to work in which determines the extent of ownership and responsibility of proprietor(s).

Question 3. What do you mean by Private Sector Enterprises? Give types.

Answer: Those enterprises which are owned, controlled, and managed by private individuals.

These enterprises can be:

- (i) Sole-proprietorship
- (ii) Partnership
- (iii) Joint Hindu Family Business
- (iv) Co-operative
- (iv) Company

Question 4. What do you mean by Public Sector Enterprises? Give its types.

Answer: These enterprises are owned, controlled and operated by public authorities, with welfare as primary and profit as secondary goals, are called public sector enterprises.

These enterprises can be of following types:

- (i) Departmental undertaking
- (ii) Public corporations
- (iii) Government companies

Question 5. All businesses must adopt some legal configuration that defines few things for a firm. Which are those?

Answer: These are:

- (i) Rights and liabilities of participants in the business's ownership,
- (ii) Control,
- (iii) Personal liability,
- (iv) Life span, and
- (v) Financial structure.

Question 6. Explain the forms of utilities which are resulted from

business.

Answer: Business activities result in creation of following utilities:

- (i) Form Utility—Changing the form of raw material into finished product.
- (ii) Place Utility—From the place of production transporting goods to the place of consumption.
- (iii) Time Utility—The process of storing the goods when not required to supplying them when required.

Question 7. Describe a successful example of One Man Show/Sole Proprietorship.

Answer: Domino's Pizza: In 1960, Monaghan and his brother Jim BORROWED \$ 900 and bought a foundering Pizzeria in Ypsilanti, Michigan. Jim left within the year, but Tom hung on, survived two near — bankruptcies and a fire. Monaghan worked for eighteen hours of all seven days a week, that too wholeheartedly making Domino's Pizza - AGIANT MNC world over a household name. Started as sole and today a MNC - a long successful journey of 'one big man'.

Question 8. When is sole proprietorship firm is suitable as a business?

Or

Give the suitability of sole proprietorship.

Answer: Proprietorship firm is suitable as a business when:

- (i) Capital requirement is low.
- (ii) Confidentiality is important.
- (iii) Market is local.
- (iv) Goods are of artistic nature or demands customized approach.
- (v) Quick decision-making is required.
- (vi) Size of venture is small.

Question 9. Give one example of Partnership.

Or

GROWING TREND - PARTNER UP! Give one example in support of this statement.

Answer: Tata wants to make HBO the most sought after premium subscriber - based channel in India. Apart from HBO, the company also has two other channels, both HD, HBO Hits and HBO Defined, in partnership with Eros.

Question 10. Partnership form of organisation has developed due to the inherent limitations of sole Proprietorship. Which are those limitations?

Or

Why was the need of partnership felt?

Answer: Following are the inherent limitations of Sole Proprietorship:

- (i) Limited Capital
- (ii) Limited Managerial Ability
- (iii) Limited Continuity

In this era of specialization, expansion and diversification, expecting one man to combat them all is not possible. Business acumen and wealth seldom meet in one person. This, desirable combination probably led to emergence of Partnership form of business.

Question 11. Write some features of Partnership.

Answer: Following are the features of Partnership:

- (i) Association: It is an association of two or more persons.
- (ii) Co-owners: Members are co-owners.
- (iii) Sharing: Partners share profits and losses related to business.
- (iv) Agreement: A written or oral agreement is made by the owners.
- (a) Members: The minimum number remains at 2 members, the maximum number of members is restricted to 10 in case of banking and 20 in case of other business.

Question 12. In making a choice, entrepreneur will want to take into

account which points while selecting the form of ownership?

Answer: In making a choice, entrepreneur will want to take into account following points while selecting the form of ownership :

- (i) Vision: Vision regarding the size and nature of business.
- (ii) Control: The level of control the entrepreneur wishes to have.
- (iii) Structure: The level of "structure" entrepreneur is willing to deal with.
- (iv) Vulnerability: The business's vulnerability to lawsuits.
- (a) Tax concern: Tax implications of the different organizational structures.
- (vi) Profit/Loss: Expected profit (or loss) of the business.

Question 13. When is the partnership form of a business is an ideal choice?

Or

When is partnership form of business suitable?

Answer: Partnership form of a business is an ideal choice for starting a new venture, if the entrepreneur's.

- (i) Requirement: Capital and Managerial requirements are higher as compared to that of sole proprietorship.
- (ii) Size of enterprise: Enterprise falls in the category of either being a small or a medium scale enterprise.
- (iii) Contact: Direct contact with the customers is essential.

Question 14. What is a Private Company?

Answer: A private company is one which:

- (i) Has a minimum of 2 and a maximum of 200 members excluding its past and present employees.
- (ii) Restricts the right of its members to transfer shares.
- (iii) Prohibits an invitation to the public to subscribe for any shares in or debentures of the company, or accept any deposits from persons other than its directors, members or relatives.
- (iv) Has a minimum paid up capital of one lakh rupees (subject to change).
- (v) Uses the word 'Pvt. Ltd.' at the end of its name.

Question 15. What is a Public Company?

Answer: Under Section 3 (i) (ii) of the Companies Act, a public company is a company which is not a private company. By implication, a public company is one which:

- (i) Has minimum seven people to commence it with no upper limit to membership.
- (ii) Does not restrict any transfer of shares.
- (iii) Invite public to subscribe for its shares, debentures and public deposits.
- (iv) Has a minimum paid up capital of five lakh rupees.
- (v) Uses the word 'Ltd.' at the end of its name.

Question 16. When is company form of business suitable?

Answer: Company form of business is suitable for a entrepreneur when:

- (i) Heavy industry: Venture is a heavy and basic industry type.
- (ii) Large scale: Large-scale operations are involved.
- (iii) Huge fund: Business requires huge funds.
- (iv) High risk: Enterprise involves heavy risks.
- (v) Complex technology: Enterprise is technologically complex and sophisticated, banking heavily upon experts and professionals.

Question 17. Describe the schools of law under HUF.

Answer: Two schools of law are there in order to create a HUF:

- (i) Dayabhaga: It is prevalent in West Bengal and Assam. As per this school of law, the son acquires the right in the family property only after the death of his father.
- (ii) Mitakshara: It is prevalent in rest of India under which, the son acquires the right in the family property right from his birth.

Question 18. Mention the conditions for existence of HUFs.

Answer: Following are two conditions for existence of HUFs:

- (i) Two members: Minimum two members must be there in the family.
- (ii) Ancestral Property: Existence of some ancestral property.

Question 19. Write in brief about Co-operative organizations.

Answer:

- (i) Motive: Its main motive is not earning profit but is mutual help.
- (ii) Principle: It works with the principle of each for all and all for each.
- (iii) Definition: "Co-operation is a form of organisation where in persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interest of themselves." H.C. Calvert

Question 20. Explain Planning.

Answer:

- (i) Planning, is thinking in advance what is to be done when it is to be done, how it is to be done and by whom it should be done.
- (ii) It's an intellectual thinking process that never ends.
- (iii) It is the organized foresight and the vision based on facts and experience.
- (iv) It bridges the gap between where we are standing and where we want to reach.

Question 21. Which persons/professionals are consulted by the entrepreneur while preparing a business plan?

Answer: Following persons/professionals are consulted by the entrepreneur while preparing a business plan:

- (i) Lawyers,
- (ii) Accountants,
- (iii) Marketing consultants,
- (iv) Engineers,
- (v) Internet sites,
- (vi) Officially appointed or/and set up banks, specialized financial institutions or agencies to promote entrepreneurship,
- (vii) Friends, relatives, mentors, etc.

Question 22. A business plan gives clarity to the entrepreneur, investors and the government related which aspects?

Answer: A business plan gives idea/clarity to the entrepreneur, investor(s) and the government of:

- (i) What an entrepreneur is doing?
- (ii) Why he/she is doing it? and
- (iii) How he/she will do that?

Question 23. Which are the four basic categories of business?

Answer: Any kind of business will fall into one of the four basic categories:

- (i) Manufacturing. It makes a tangible product.
- (ii) Wholesale. It buys products in bulk from the manufacturers to be sold in smaller lot to retailers.
- (iii) Retail. It sells the product directly to the final consumer for final satisfaction.
- (iv) Service. It sells intangible such as time or expertise.

Question 24. Each type of business differs in which terms or aspects?

Answer: Each type of business differs significantly in terms of:

- (i) Commencement procedures
- (ii) Legal constraints
- (iii) Financial requirement
- (iv) Accounting methods
- (v) Marketing and promotional strategies
- (vi) Risk and liability.

Question 25. Why is it important to be able to categorise the business?

Or

Why is it important to carefully choose a legal structure for the business?

Answer: Each type of business differs in terms of commencement procedures, legal constraints, financial requirement, accounting methods, marketing and promotional strategies and risk and liability. That's why it is important to be able to categorise the business first and then to carefully choose a legal structure for it.

Question 26. How is organizational plan important to a potential investor?

Answer: Various aspects of organizational plan provides the potential investor with a clear understanding of

- (i) who is going to control the organisation
- (ii) how other members will interact in performing the management functions.

Question 27. How is organizational plan useful to an entrepreneur?

Answer: The organizational plan helps the entrepreneur to carefully evaluate and decide that legal structure for his organization that could affect:

- (i) Long-term effectiveness of the enterprise, and
- (ii) Profitability.
- (iii) Specifying the types of skills needed and the roles that must be filled by the members.
- (iv) The enterprise's formal organisation.
- (v) The attitudes, behaviours, dress, communication styles, etc., thus chalking out informal organisation or culture.

Question 28. How is production plan helpful?

Or

A production plan helps to plan the work in such a manner that one can clearly form an idea about which aspects?

Answer: A production plan helps to plan the work in such a manner that one can clearly form an idea about:

- (i) Production schedule and/or Budget
- (ii) Machinery, equipment requirement
- (iii) Manufacturing method and process involved
- (iv) Plant layout
- (v) Time, motion and work study
- (vi) Manpower requirement
- (vii) Inventory requirement

Question 29. How is follow-up helpful to an entrepreneur?

Answer: Follow-up element helps the entrepreneur in following ways :

- (i) Developing ways: Developing ways to review the present situation with regard to materials, work-in progress and finished goods.
- (ii) Evolving ways: Evolving ways to control the performance of those departments which lag behind.
- (iii) Removing obstacles: Removing obstacles in the way of production by suggesting remedial measures.

Question 30. What is the best assurance for a firm to flourish?

Answer: The best assurance that the enterprise will flourish, requires the entrepreneur to properly plan out for a properly trained , rich and continuous supply of qualified personnel. For building and maintaining loyal, efficient and dedicated personnel, entrepreneur needs to pay adequate and proper attention to human resource planning.

Manpower planning ensures 'that enterprise has the right number of people, and the right kind of people with appropriate skills, at the right place and the right time to do work for which they are

economically most suitable.

Question 31. Why is manpower planning important for any enterprise?

Or

“The people working in a firm make it what it is.” Explain why?

Answer: Manpower planning is important because it helps to assesses:

- (i) What kind of people are required?
- (ii) How many people are required?
- (iii) How will they be selected?

Question 32. As the most basic thing, the entrepreneur must clearly state which things related to human resource?

Answer: As the most basic thing, the entrepreneur must clearly state following things related to human resource

- (i) Kind of Persons to be hired: What kind/type of person is required to be hired for getting the work done.
- (ii) Work out: To workout a wide range of personnel ranging from managers, supervisors, administrators, engineers, technical, skilled and unskilled class.
- (iii) Type of manpower required: Nature of business activity helps entrepreneur to a large extent in deciding the type of manpower required.

Question 33. Number of people required for enterprise are affected by which factors?

Answer: The number of people required for various positions throughout the enterprise gets affected by:

- (i) Finding out the total work to be done.
- (ii) How much work can the average person do in a specified period of time.
- (iii) Level of absenteeism expected.
- (iv) Rate of labour turnover.
- (v) The present number of employees.
- (vi) The future plans for expansions and diversifications.

Question 34. What does marketing plan describes?

Answer: Marketing plan describes the market conditions and strategies related to how:

- (i) Products/Services will be distributed.
- (ii) The product will be priced.
- (iii) The product will be promoted.

Question 35. What is a marketing plan?

Answer: Marketing plan is a guideline regarding the marketing objectives, strategies and activities to be followed by the new enterprise. It represents a significant element in the business plan for a new venture as it effectively establishes how the entrepreneur will complete and operate in the market place by providing answers to three basic questions: where have we been, where do we want to go and how do we get there.

Question 36. The question ‘How Do We Get There’ discusses which aspects for a firm related to the marketing plan?

Answer: This question discusses:

- (i) the marketing strategy that will be followed,
- (ii) when it will occur,
- (iii) who will be responsible for the monitoring of activities.

Question 37. An entrepreneur may face equally intense financial challenges many times. Give one example related to this statement.

Answer: King C. Gillette invented the disposable razor and started the Gillette Company. In 1901, Gillette company was \$ 12,500 in debt. Gillette managed to secure financing from a Boston Millionaire and saved his company.

Thus Finance is one of the most important pre-requisites to establish an enterprise. Availability of finance facilities the entrepreneur to bring together men, material, machines and methods to produce goods/services. As timely availability of funds in right volume is key to entrepreneurial success, the entrepreneur should develop a sound financial plan.

Question 38. What does a sound financial plan include?

Answer: A sound financial plan should include:

- (i) Financial requirements
- (ii) Sources of raising funds
- (iii) Exact assessment of the revenue, cost, profits, cash flow dynamics, stock of inventory, loans, etc.

Question 39. How is financial plan useful to investors?

Or

The financial plan gives a clear picture of which aspects to the investors and the entrepreneur?

Answer: A financial plan gives a clear picture of following to the investors and the entrepreneur:

- (i) How much funds are required?
- (ii) Where funds come from?
- (iii) How they are disbursed?
- (iv) The amount of cash available
- (v) General financial well-being of the new venture i.e. probable revenue forecast.

Question 40. Entrepreneur ensure the selection of best overall mix of financing. Why?

Answer: Entrepreneur ensures the selection of best overall mix of financing for the enterprise so that:

- (i) The cost of capital and the financial risk is minimized,
- (ii) Return on investment and profitability is maximized.

Question 41. Which are the most commonly adopted techniques for forecasting?

Answer: Following are the most commonly adopted techniques for forecasting:

- (i) Marketing research
- (ii) Industry sales
- (iii) Survey of buyers' intentions
- (iv) Expert opinions
- (v) Financial data on similar start-ups
- (vi) Some trial experience of self or others.

Question 42. What is the importance of Break even point?

Answer: Calculation of BEP is useful for the entrepreneur because it help in assessing:

- (i) Minimum level of output to be produced.
 - (ii) The effect of change in quantity of output upon the profits.
 - (iii) Selling price of the product.
 - (iv) Profitable options in line of production.
- Q43. What is Break Even Point?

The Break even point is that level of volume of production at which firm neither makes profit nor a loss.

It indicates the volume of sales needed to cover total variable and fixed expenses by the new enterprise.

Question 44. What is the objective of business Plan?

Answer: Following are the objectives of business plan:

- (i) Picturing ahead every step in a long series of separate operations,
- (ii) Each step of operation to be taken in the right place of the right degree, and at the right time,
- (iii) Each operation to be done at maximum efficiency.

Question 45. Who must have PAN?

Answer: Following person(s) must have PAN:

- (i) All existing taxpayers or persons who are required to furnish a return of income, even on behalf of others.
- (ii) Any person carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exceed five lakh rupees in any previous year;
- (iii) Any person, who intends to enter into financial transaction where quoting PAN is mandatory.
- (iv) The Assessing Officer may allot PAN to any person either on his own or on a specific request from such person.

Question 46. What is Excise Duty?

Answer: Excise duty is a tax on manufacture or production of goods. Excise duty on alcohol, alcoholic preparations, and narcotic substances is collected by the State Government and is called "State Excise" duty. The Excise duty on rest of goods is called "Central Excise" duty and is collected in terms of Section 3 of the Central Excise Act, 1944.

Question 47. What is the procedure for obtaining registration?

Answer:

- (i) Apply to the nearest Central Excise Division Office in Form A. 1 along with a self-attested copy of the PAN issued by the Income Tax Department.
- (ii) After post verification, a regular Registration certificate in form RC is normally issued immediately, as far as possible.

Question 48. What is sales tax?

Answer:

- (i) Sales tax is levied on the sale of a commodity, which is produced or imported and sold for the first time.
 - (ii) If the product is sold subsequently : without being processed further, it is exempt from sales tax.
 - (iii) It is levied under the authority of both Central Legislation (Central Sales Tax) and State Governments Legislations (Sales Tax).
 - (iv) The government levies Sales Tax principally on intrastate sale of goods.
 - (v) States also levy tax on transactions which are "deemed sales" like works contracts and leases.
- In addition to Sales Tax, some states also levy additional tax, surcharge, turnover tax, etc.
- (vi) Sales tax is recovered from the buyer as a part of consideration for sale of goods.

Question 49. Write a brief note on Value added tax.

Answer:

- (i) VAT is a multi-point destination based system of taxation, where levied on value addition at each stage of transaction in the production/ distribution chain.
- (ii) 'Value addition' is the increase in value of goods and services at each stage of production or transfer of goods and services.
- (iii) VAT is a tax on the final consumption of goods or services and is ultimately borne by the consumer.
- (iv) The State Governments, through Taxation Departments, are carrying out the responsibility of levying and collecting VAT in the respective States.
- (v) The Central Government is playing the role of a facilitator for the successful implementation of VAT.

Question 50. What do you mean by export and import?

Answer:

- (i) Import of goods means bringing into India of goods from a place outside India. India includes the territorial waters of India which extend up to 12 nautical miles into the sea to the coast of India.
- (ii) Export of goods means taking goods out of India to a place

outside India.

Question 51. Explain what is TAN.

Answer:

- (i) TAN or Tax Deduction and Collection Account Number is a 10 digit alpha numeric number required to be obtained by all persons who are responsible for deducting or collecting tax.
- (ii) It is compulsory to quote TAN in TDS/ TCS return (including any e-TDS/TCS return), any TDS/TCS payment challan and TDS/TCS certificates.
- (iii) All persons who are required to deduct tax at source or collect tax at source on behalf of Income Tax Department are required to apply for and obtain TAN.

Question 52. Employees provident fund is applicable to which industries?

Answer: The Employees' Provident Fund and Miscellaneous Provisions Act, 1952 applies to the whole India except Jammu & Kashmir. Employees' Provident Fund and Miscellaneous Provisions Act, 1952 is applicable to:

Every establishment which is engaged in any one or more of the industries specified in Schedule I of the Act or any activity notified by Central Government in the Official Gazette.

Employing 20 or more persons.

Question 53. What does the demographic segmenting show?

Answer: In this the customer varies across the geographical location.

E.g.: Action shoe manufacturing company wants to identify its target group, i.e. customers. It specializes in sandals meant for women only, thus, excluding men. from its target group. The shoes manufactured are expensive meant for women belonging to higher income groups and living in urban/city areas. In this case, the target group can be identified on the basis of three homogeneous characteristics of the customers:

- (i) women;
- (ii) belonging to higher income groups; and
- (iii) living in cities and urban areas

Age: Child-youth-adult-old Sex: Male-Female

Income: High-Middle-Low-Below Poverty Line

Education: Primary-Secondary—Tertiary Occupation: Farmers-Govt.

Employees- Professional-Executives

Question 54. Explain the factors affecting the formulation of a financial plan.

Answer: Financial plan deals with the deciding in advance about the future spending. The formulation of plan is affected by following factors:

- (i) Clarity of Objectives: A good financial plan has clearly defined objectives. The objectives are expressed in terms of money or quality of products, objects. Objectives are presented in simple words.
- (ii) Simple: A good financial plan is simple to understand and implement. It is made simple by considering various factors related with the enterprise.
- (iii) Flexibility: A good financial plan has a scope for making changes in the future. The plan is made flexible considering future obligations and future plans of the enterprise.
- (iv) Risk: A good financial plan keeps sufficient scope for the calculated risk rather to say it is made by keeping the level of risk of the enterprise.

Question 55. Explain the role of financial planning in financial management.

Answer: Financial planning has a pivotal role in financial management. The importance of it can be explained under following . headings:

- (i) Securities: For obtaining finance what securities are to be offered it is clearly mentioned in the financial plan. Further which securities to be kept for obtaining working capital or short term loan and which are to be kept for long term finance, this is clearly classified and mentioned. Plan includes the clear policy for rotation of securities for maintaining continuous supply of finance.
- (ii) Fulfils requirement: Financial plan fulfils the financial requirement of the enterprise. It specifies the strategy and sources for obtaining finance. The requirement of funds for research, raw materials, payment of wages, are mentioned period wise. This provides target for the financial management.
- (iii) Risk: A financial plan clearly mentions the extent of risk that can be undertaken by an enterprise. This provides the limits of working in the financial management.

Question 56. What is a Company?

Answer: As per Indian Companies Act, 1956— “A company means a company formed and registered under the act or any previous Act.”
As per Prof. L.H. Haney—A Joint Stock Company is a voluntary association of individuals for profit, having a capital divided into transferable shares, the ownership of which is the condition of membership.

Company is created by law and put to death by law only.

Here, associated persons contribute money in the form of shares. It is a legal entity and enjoy permanent existence.

Question 57. What are consequences for non-registration of a partnership firm?

Answer: In case of non-registration, following rights are denied—

- (i) Filing of suit: Partners cannot file a suit in any court against the partners for enforcement of any right conferred by the Partnership Act.
- (ii) Third party: A right arising from a contract cannot be enforced in any court by or on behalf of the firm against any third party.
- (iii) Claim: Firm or any of its partners cannot claim a set off in a dispute with a third party.

Question 58. Describe the activities which are inspired mainly by economic consideration.

Answer: Activities which are inspired mainly by economic consideration are classified as:

- (i) Manufacturing: It is the production of merchandise for use and sale. Manufactured goods can be used by final consumers. Final consumers can be households or firms.
- (ii) Service: It is intangible as it can't be stored and does not result in ownership. It is consumed at the point of sale. Example— banking, communication, transport, etc.
- (iii) Trading: It is an activity of buying, selling or exchanging goods or services. Money is made by buying or selling. Here one thing is exchanged for other.

Question 59. Comment on selection of Forms of business organisation.

Answer: Setting up a business is a challenging task for entrepreneurs. Enterprise conduct any type of business activity. Entrepreneur's objective is accomplished by combining various factors of production. Legal structure of business entity determines the extent of ownership and responsibility of owners. Any form of business organisation once selected is difficult to be changed due to the complexity, cost and time consuming factors.

Question 60. Cooperative organisation is not desirable structure to start as new venture for an entrepreneur. Why?

Answer: Entrepreneur does not find desirable due to his/her:

- (i) Quest for excellence.
- (ii) Drive for independence.

- (iii) Tendency to be a project champion.
- (iv) Strong desire to succeed and earn profit.
- (v) Creative and innovative nature.
- (vi) Love for being a leader in the field.

Question 61. Selection of form of organisation is mostly affected by which factors?

Answer: Selection of form of organisation is mostly affected by following factors:

- (i) Capital requirement of the firm.
- (ii) Risk and liability involved.
- (iii) Managerial control desired.
- (iv) Scale of operation of the firm.
- (v) Continuity and stability desired.
- (vi) Government regulations involved.
- (vii) Tax burden of the firm.
- (vii) Nature of business.

Question 62. Who should write the business plan?

Answer: Business plan has coverage of various aspects like marketing, finance, operations, IPR, etc. Entrepreneur require consultancy services of various experts like lawyers, accountants, marketing consultants, friends, relatives, engineers, internet sites, etc.

Question 63. Give the meaning of 'Routing' and 'Scheduling' as elements of operational plan. [CBSE Delhi 2015]

Answer: Routing: Routing is a process concerned with determining exact route or path a product/service has to follow right from raw material till its transformation into finished product.

Scheduling: Scheduling means fixation of time, date, day when each operation is to be commenced and completed.

Question 64. Gaurav started a factory for manufacturing bags for the students of nursery and primary classes. He invested X 2,00,000 of his own and obtained a loan of X 10,00,000 from bank. He made the instruction plan describing the details that were needed for the operation of machines by the workers.

Identify and explain the format of 'business plan' described in the above para. [CBSE Delhi 2015]

Answer:

- (i) Internal Operational Plan.
- (ii) A detailed plan describing planning details that are required by management but may not be of interest to external stakeholders.

Question 65. Name and define the form of business organization in which the liability of its members is limited. State one more feature of this form of business organization. [CBSE Delhi 2015]

Answer:

- (i) Joint Stock Company.
- (ii) It is an association of persons who contribute money in the shape of shares and the company gets a legal entity and enjoys a permanent existence.
- (iii) It has the following features: voluntary association; artificial person; separate legal entity; common seal; limited liability; transfer ability of shares; diffusion of ownership and management; number of members; limitation of action; winding up.

Question 66. Give the meaning of 'Business situation analysis' and 'Identification of the target market' as steps in preparing the marketing plan. [All India 2015]

Answer: Business situation analysis is a review of past performance and achievements of the enterprise.

Identifying the target market defines clearly the specific group of potential customers who need the enterprise aims to fulfill the goals.

Question 67. Rahul wants to start a small shoe manufacturing factory. As a part of his business plan he prepared an 'entertaining slide show and oral narrative' that was meant to trigger discussion and create interest in potential investors for reading the written presentation. Identify and explain the format of the business plan referred in the above paragraph.[All India 2015]

Answer: Format of Business Plan described in above para is Pitch deck with oral narrative.

It is an executive summary and a few key graphs showing financial trends and key decision making benchmark. It is a hopeful, entertaining slide show and oral narrative which is for starting discussion and interest potential investors in reading the written presentation, i.e. the executive summary. It has few graphs showing financial trends and is key for decision making.

Question 68. Ashok is engaged in the production of readymade garments using cotton cloth. Identify the business activity in which Ashok is involved. Also name and define the utility created by Ashok. [All India 2015]

Answer: Utility created by Ashok is Form Utility. Form utility: It is changing the form of raw material into finished products creates form utility.

Question 69. Fizz & Lime is an established beverage company which started bottling Wheat Grass Juice; Bitter gourd with Jamun and Amla with Aloe vera. It is planning to expand externally without compromising on the unique taste of these drinks. Belligio Juices got exclusive rights to manufacture and sell Wheat Grass and Amla Aloe under the name Fizz & Lime. Belligio Juices had to use only the ingredients supplied by Fizz & Lime to produce, bottle and distribute the two drinks. [CBSE Sample Paper 2016]

(i) Identify and explain the form of external expansion adopted by Fizz & Lime.

(ii) State any one feature of this form of expansion.

Answer:

(i) Manufacturing franchise opportunity: These types of franchises provide an organization with the right to manufacture a product and sell it to the public, using the franchisor's name and trademark. This type of franchise is found most often in the food and beverage industry.

(ii) Franchisee must use the ingredients given by the franchisor to produce, bottle and distribute the soft drinks.

Question 70. "Human life is built around works". Identify the form of Business Organisation being talked about in the following sentences: [CBSE Sample Paper 2016]

(i) 'The one-man control is the best in the world if that man is big enough to manage everything.'

(ii) "Two heads being better than one."

(iii) "Self-help as well as mutual help system."

(iv) The birth of this legal person is by law and can be put to death by law only.

Answer:

(i) Sole proprietorship

(ii) Partnership

(iii) Cooperative

(iv) Company.

Question 71. Chacko Ltd. has been manufacturing umbrellas since 1980. They are the market leaders in manufacturing small hand size umbrellas. They have their production unit in Kochi. The MD's son- Abraham Chacko took over the family business in 2010. He had finished graduation from USA. Using his educational and networking skills, he was able to take up an export order. He also decided to operate an exclusive export oriented unit in Chellanam. The production work for this unit began in 2014. A dedicated team

framed an operational plan for the entire process. Abraham visited the plan to evaluate and take appraisal of the work performed in the unit. State two ways as to how it will help Abraham.[CBSE Sample Paper 2016]

Answer: Follow-up element helps the entrepreneurs in:

- (i) Developing ways to review the present situation with regard to materials, work-in-progress and finished goods.
- (ii) Evolving ways to expedite the performance of those departments which lag behind.

***** END *****