



Question 22. Ron Sommer, former president, Sony Corporation of India: say “Where a company comes from is less important than where it is going, as boundaries are erased corporation birth certificate won’t count much.”

Answer: Successful entrepreneur will make sure there is a constant flow of new ideas and a commitment to try out at least some of these new ideas. An organization has to maintain its momentum through interplay of flexibility and change. This calls for growth and development which in essence is achieved through constant strife.

Question 23. Give some examples of Financial synergy.

Answer: Hindustan Unilever Company acquired Lakme, it helped HUL to enter the cosmetics market through an established brand.

1. Glaxo and Smithkline Beecham merged, to gain market share and eliminate competition between each other.
2. Tata Tea acquired Tetley to leverage Tetley’s international marketing strengths.

Question 24. Give an alternate name of financial synergy.

Answer: An alternate name of financial synergy is tax shield.

Question 25. How can you represent the idea of a synergy mathematically?

Answer: In mathematical terms, a synergy is where $2 + 2 = 5$.

Question 26. “Merger depends on variety of factors” Enumerate.

Answer: The term merger depends on the:

1. economic function
2. purpose of the business transaction
3. and relationship between the merging companies.

III. LONG ANSWER TYPE QUESTIONS

Question 1. Explain direct and indirect competition with an example for each.

Answer: Direct Competition: It refers to the competitions in which various enterprises producing close substitutes try to increase their sale of their product. Each tries to enhance its sale and tries to capture maximum possible consumers of the market e.g. Luxor, Flair, Camlin etc. are the companies which produce substitutes and each tries to capture maximum consumers of pen and other stationery items.

Indirect Competition: It is a type of competition in which the enterprises compete not only for price but other references about the product. It is also referred as non price competition, e.g. Coca-Cola and Pepsi compete with each other in advertisements for persuading the customers. Any new advertisement of one company is normally followed by a fresh advertisement by another company.

Question 2. How do changes in consumer trends affect growth?

Answer: The consumer trends affect growth : because of following reasons:

1. Change in consumption pattern: Due to change in season or changes in income the consumption pattern of the consumer changes. With change in seasons some specific products are

demanded more e.g. demand for umbrella increases during rainy season.

2. Change in income: With the rise in income, new types of products, costlier products are demanded by the consumers. Such demand forces entrepreneurs to produce new products. This leads to growth.
3. Some enterprises are closed down: With the changing consumption pattern some enterprises become obsolete and are forced to quit the industry. This affects the production of the enterprise and the growth.

Question 3. What are the different activities that an entrepreneur can undertake to expand his enterprise?

Answer: An entrepreneur can undertake following activities to expand his enterprise:

1. Raising the level of production: By raising the level of production, the volume of the product produced increases. This leads to expansion in increasing the number of employees. With the increase in the strength of the employees, the expansion takes place provided it is associated with the rise in production.
2. Adding more machines: By adding new machines to the existing ones, the turnover also increases. This is referred to as expansion.
3. Opening an ancillary unit: If the product of one company can be used as raw material for the other product, then a new enterprise can come into existence which is dependent on the main. If the parent company and the ancillary unit are of same enterprise, it is also leading to expansion.

Question 4. 'An enterprise that does not grow will eventually die'.

Explain this statement with suitable examples.

Answer: Yes, it is true. An enterprise that does not grow will eventually die. This can be supported by following reasons: Market is dynamic: Market is never stable. Continuously some changes are taking place. Every enterprise has to keep a close watch on such changes and has to make favourable changes in product process etc. This is to maintain the number of consumers of the product e.g. with the growing income the consumers requirement of electronic items is increasing. Electronic companies are thus growing in terms of turnover and diversification.

Innovation is essential: When growth takes place it is normally associated with innovation. New methods, techniques, processes, etc. help in reducing the cost, increasing efficiency and are also able to attract more customers e.g. fast foods manufacturers always keep some attractive articles to attract children.

Question 5. Describe the origin and concept of Goli Vada Pav.

Answer:

1. Goli Vada Pav, a quick serve food concept with Indian touch, originated in Mumbai in 2004.
2. The brand's founders, Venkatesh Iyer and Shiv Menon, realised the huge scope of business in tapping the adult and lower income customers by selling widely popular local street food 'Vada Pav' to them, in an organised way.
3. Thus, the idea of Goli Vada Pav Pvt Ltd was born that was pocket friendly as well as prepared and served in hygienic conditions.
4. Goli Vada Pav No. 1 reaffirms the fact that a strong home grown concept cannot only thrive but also compete with International Brands like McDonalds.

Question 6. Discuss the success journey of Goli Vada Pav till now.

Answer:

1. Goli Vada Pav has extensive presence across 40 Indian cities in six states.
2. Its outlets are spread across the length and breadth of the country.
3. Its stores can be found in cities like Aurangabad, Ahmednagar, Bengaluru, Belgaum, Chandrapur, Chennai, Coimbatore, Dhulia, Hubli, Hyderabad, Jalgaon, Kolhapur, Mumbai, Pune, etc.
4. It operates about 150 stores, of which over 140 are via franchise route.

Question 7. Distinguish between Internal and External Expansion.

Answer:

Internal Expansion	External Expansion
(i) It is the gradual increase in the activities of the concern.	(i) It is a business combination where two or more firms combine and expand their business activities.
(ii) Firm may expand its present production capacity by adding more machines or by replacing old machines with the new machines.	(ii) Here two or more units engage in similar business or related process or stages.
(iii) It results in the increase in business activities and broadening the present capital structure.	(iii) After combination, the constituted firm pursues some common objectives or goals.

Question 8. What are the main ingredients of a franchise agreement?

Answer: The main ingredients of a franchise agreement:

1. Contract Explanation: This part , of the agreement outlines the type of relationship a franchisee is going to have with the franchisor.
2. Operations Manual: It is the section of the agreement that details the guidelines that the franchisee must legally follow. Amendments may be made from time to time and the franchisee has to adjust operations accordingly. The franchisee has to maintain the confidentiality.
3. Proprietary Statements: This part tells how the franchise name is to be used. What marketing and advertising procedures is required to follow. It also documents how much the franchisee will be required to contribute toward national advertising efforts.
4. Ongoing Site Maintenance: It includes the types and time frames regarding various maintenance items and upgrades that must be made to the franchisee's location.

Question 9. "Big brands make head towards franchising". Why?

Answer: The big corporate houses have opted for a franchise route because :

1. It considers franchising as an easy mode of expansion.
2. Chances of success are higher due to high commitment level of the franchisor and the franchisees.
3. It is a powerful and ideal way to expand business.
4. It is best suited for a company which does not have any capital, manpower or time to build the network of company-owned outlets.

Question 10. How franchising helps start-ups?

Answer: Franchising helps the start-ups in following ways:

1. Working: Franchising changed the working of the start-ups because already the product carries a name in the market already. The start-ups pay royalty to the franchisor. Start-ups save struggling time and money involved in the process.
2. Training: Start-ups take up training to understand the product. Franchisors make franchises fully known with the product/services. Start-ups are the sales person. And franchisors charge a fee for this purpose.
3. Fast growth: The start-ups can grow fast without having to

increase cost through increasing labour, operating costs, etc. because normally buyers straight away contact them.

4. One plus one eleven: Franchises work for the benefit of franchisors i.e. they turn up one plus one eleven. Both are open to help each other. Franchisors' efforts to boast their franchises are always real and sincere. No clash of interest arises.

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