DAV Public School, Hehal

ANSWER KEY 2nd Practice Test — 11.12.17

Class - XII — Subject - Entrepreneurship — F.M - 70

Q.1 (a) Unrealistic price paid for target (1 marks for any two points.)
(b) Difficulties in cultural integration
(c) High leverage
(d) Overstated synergies

Q.2. It is the level of sales or revenues that it must generate in order to equal its expenses. (1)

Q.3. Longer the operating cycle, working capital quantum is more, shorter the cycle, less working capital is needed. (1)

Q.4 Venture capital is high risk - high return. It is due to the fact that projects are untested and are undertaken by people with no experience. $(\frac{1}{2}+\frac{1}{2}=1)$

Q.5 Affiliated angel is someone who has some sort of contact with your business but is not necessarily related to you. (1)

Q.6 (i) Check price rigging $(\frac{1}{2})$
(ii) Prohibit insider trading $(\frac{1}{2})$
(iii) Prohibit fraudulent & unfair trade practices (1) = (2)

Q.7 In ABC analysis company reviews its inventory and sort all SKU into three categories called A, B, C (2)

Q.8 This principle holds that in a given system, a relative handful of 'causes' will produce the majority of 'effects'. (2)

Q.9 (a) Franchising
(b) Mergers
(c) Acquisitions (2)

Q.10 ↳ When combination involves firms that are of similar size, the term consolidate implies.
↳ It is a combination of two companies into one larger company. (2)

Q.11 Business add values to goods & services by modifying them in a particular way to create a new product of greater value to customers. ①] (2)
Ex:- Turning cotton into fabric ½
Turning milk into cheese. ½ = ①

Q.12 (i) Early stage companies
(ii) Expansion & revitalization $1 \times 3 = (3)$
(iii) Financing of leveraged buyouts of existing business.

Q.13. (i) Bear high risk
(ii) Provide proactive advice $1 \times 3 = (3)$
(iii) Help investors to realize high ROI.

Q.14 (i) financial planning
(ii) financial control } With explanation
(iii) financial decision making $1 \times 3 = (3)$

Q.15 It is a process of deciding what and how much of - various items to be kept in stock and procured.
Objectives - ① Keep suitable record ② Weed out obsolete items. $(1+2 = 3)$

Q.16 (i) Right and the only way of doing things.
(ii) Continuing cost implication
(iii) Risk of franchisor getting bought
(iv) Inability to provide services
(Any three points with explanation $1 \times 3 = 3$)

Q.17 A value chain is a high level model of how business receive raw material, add value to the raw material through various processes and sell as finished products to customers.
Ex:- Diamond cutting involve less cost but add high value to product as rough diamond is less valuable than the cut diamond.
(2+2=4)

Q.18 (i) Traditional budgeting -
(With explanation 2+2=4)
(ii) Zero based budgeting -

Q.19 Money needed to fund the normal day to day operations of a business is known as working capital.
(a) for procuring or investing in longer term assets
(b) for buying raw material, packing material, paying rent.
(With explanation 2+2=4)

Q.20 C.FS deals with past. It does not help in managing the current, day to day requirement.
Cash flow Projection shows how cash is expected to flow in and out of your business.
(With explanation 2+2=4)

Q.21 (i) It provide financial assistance to enterprises
(ii) It provide advisory and merchant banking services
(iii) Bigger project with capital cost of 1 crore is assisted
(iv) It provide assistance to 2003 project which create - direct employment to 22938 people.
(1×4=4)

Q.23 (i) Conglomerate($\frac{1}{2}$)
(ii) Horizontal merger ($\frac{1}{2}$)
(iii) Market extension merger ($\frac{1}{2}$)
(iv) Product extension merger ($\frac{1}{2}$)
($\frac{1}{2}$ + 1 for explanation ×4 = 6)

Q.22.

Units	140000	60000	200000
Sales price per unit	20	25	
Variable cost per unit	8	10	
	Doll	Bird toy	Total
Sales (A)	2800000	1500000	4300000
Variable Cost (B)	1120000	600000	1720000
Contribution margin (A − B)	1680000	90000	2580000
Less fixed cost			1290000
Net Income			1290000 (4)

Weighted average contribution margin

$= \frac{\text{Total Contribution}}{\text{Total units}}$

$= \frac{2580000}{200000} = 12.90$ (1)

BEP = Fixed Cost / weighted average Contribution

$= 1290000/12.90 = 100000$ units

Doll to be produced for breakeven $= 100000 \times \frac{17}{23}$

$= 73913$

Bird toy to be produced for breakeven $= 100000 \times \frac{6}{23}$

$= 26087$ (1)

(4+1+1 = 6)

Q.24 (a) National level – IDBI, SIDBI, IFCI

State level – SFC, TFCI, SIDC (2)

(b) To serve as the apex institution for term finance for industry in India. (1)

(c) Industrial Investment Bank of India set up by IDBI for rehabilitation of sick industrial companies. (1)

(d) (i) Provide medium and long term loan in Indian currency.

(ii) Guarantees loans (2)

(Any other relevant point)