

CUET 2023 Entrepreneurship Question Paper with Solutions

Time Allowed :60 minutes	Maximum Marks :200	Total Questions :50
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586. 'Cut out the middle man' refers to which type of channel of distribution?

- (1) Zero level
- (2) One level
- (3) Two level
- (4) Three level

Correct Answer: (1) Zero level

Solution: The phrase "Cut out the middle man" refers to eliminating intermediaries in the distribution channel. In a zero-level channel, goods move directly from the producer to the consumer, meaning there are no intermediaries involved.

Quick Tip

In distribution channels, zero-level means direct selling to consumers, without intermediaries.

587. Sometimes company sells its securities to a limited number of sophisticated investors. Identify the method of flotation of new issue discussed above.

- (1) Offer to employees
- (2) Private placement
- (3) Rights issue
- (4) Public issue

Correct Answer: (2) Private placement

Solution: Private placement refers to the sale of securities to a limited number of sophisticated investors, without offering them to the general public. This method involves a more selective process for the company to raise capital.

Quick Tip

Private placement is typically used by companies to raise capital from specific investors, rather than through a public offering.

588. 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 above lines refers to:

- (1) Seed capital finance
- (2) Start up finance
- (3) Second round finance
- (4) Last stage finance

Correct Answer: (2) Start up finance

Solution: Start-up finance refers to the initial phase of funding a business once the product has been developed and is ready to be introduced to the market. It covers the costs associated with launching and marketing the product.

Quick Tip

Start-up finance is essential for the early stages of business when a product is being marketed for the first time to the public.

589. Matilda heard her friends talking about a new flower growing in the hilly areas. She read more about it on the net and she thought that it would be a good business idea if she would be able to grow them in her nursery. Identify the trend that is being discussed here.

- (1) Read trend
- (2) Think trend
- (3) Watch trend
- (4) Talk trend

Correct Answer: (1) Read trend

Solution: The situation described refers to the "Read trend," where an individual gathers information through research (reading) to make informed decisions, in this case, Matilda reading about a flower growing in hilly areas to assess its business potential.

Quick Tip

The "Read trend" involves gathering information through reading to make decisions, often leading to new business ideas.

590. Schools in Jaipur change the uniform of the students from summer to winter after Diwali as they know that the environment changes at that time. Identify the importance of understanding the environment shown above.

- (1) Tapping useful resources
- (2) Better performance
- (3) Image building
- (4) Formulation of strategies and policies

Correct Answer: (4) Formulation of strategies and policies

Solution: The scenario of schools changing uniforms based on seasonal changes demonstrates the importance of understanding the environment to formulate strategies and policies effectively. It shows how external factors influence decisions in the organization.

Quick Tip

Understanding environmental changes is crucial for effective strategic planning and policy formulation in any organization.

591. REAL YOU is a leading mobile phone company in India. The company decided to launch a new model A1 which will have in-built latest software to encourage hands free use and enhance user experience through 3D photos. They are also looking into ideas to use eco-friendly recyclable materials for the body of the phone which will cause less environmental damage. Identify the two factors of PESTEL model from the above cause.

- (1) Economic, Social
- (2) Ecological, Technological
- (3) Legal, Economic
- (4) Social, Political

Correct Answer: (2) Ecological, Technological

Solution: The factors that are being addressed in this situation are related to the ecological aspect (use of eco-friendly recyclable materials) and technological aspect (latest software and enhanced user experience through 3D photos), both of which are part of the PESTEL model.

Quick Tip

PESTEL stands for Political, Economic, Social, Technological, Ecological, and Legal factors. Pay attention to how each factor influences business decisions.

592. Convenient frames of reference for streamlining the process of generation of ideas is known as

- (1) Idea generation
- (2) Idea framework
- (3) Idea fields
- (4) Brain storming

Correct Answer: (4) Brain storming

Solution: Brainstorming is a popular technique for generating ideas and solutions in a group or individually by using various reference frames and creative thinking.

Quick Tip

Brainstorming is useful in a creative setting to come up with innovative solutions quickly. Remember, it's a process, not a fixed method.

593. It is the process of entrepreneurship which involves the translation of a useful idea into an application which has commercial value. It takes persistent effort to work out analytically the details of the enterprise or science. The above lines indicate which step of the process of creativity.

- (1) Idea germination
- (2) Preparation
- (3) Innovation
- (4) Illumination

Correct Answer: (3) Innovation

Solution: The given lines describe the stage of creativity where an idea is developed into a useful application. This stage is called "Innovation" as it involves converting ideas into a marketable product or service.

Quick Tip

Innovation requires both creativity and persistence to turn ideas into successful products or services.

594. Choose the option not reflecting formalities for standing a manpower planning.

- (1) What kind of people are required
- (2) Identify the target market
- (3) How many people are required
- (4) What will be selection process to procure personnel

Correct Answer: (4) What will be selection process to procure personnel

Solution: Manpower planning is about identifying the required skills, number of people, and the target market. The selection process to procure personnel is a step after the planning stage, and is not directly part of the formalities involved in planning.

Quick Tip

Remember, manpower planning involves defining the type of people, the number, and the target market, not the process of selection.

595. Which component of financial plan summarizes all the projected sources of funds available to the venture to raise finance?

- (1) Proforma investment decisions
- (2) Proforma financing decisions
- (3) Break-even point
- (4) Proforma cash flow

Correct Answer: (4) Proforma cash flow

Solution: The proforma cash flow is the financial document that summarizes all the projected sources of funds and helps in understanding how funds will flow into and out of the business during a specified period. This is the essential component of a financial plan when raising finance.

Quick Tip

Remember, the proforma cash flow summarizes all projected sources of funds and is crucial when raising finance.

596. The process of initiating production in accordance with pre-conceived production plan is said to be.

- (1) Follow-up
- (2) Dispatching

- (3) Routing
- (4) Scheduling

Correct Answer: (3) Routing

Solution: Routing refers to the process of initiating production according to a predefined plan, ensuring that the materials and tasks are directed along the right path to complete the production efficiently.

Quick Tip

Remember, routing is about directing production processes according to the plan. Follow-up, dispatching, and scheduling are different stages.

597. Which of the following is NOT the characteristic of partnership?

- (1) Mutual Agency
- (2) Profit Sharing
- (3) Artificial Person
- (4) Unlimited Liability

Correct Answer: (3) Artificial Person

Solution: Partnerships do not have the characteristic of being an "artificial person" as they are not separate legal entities. Mutual agency, profit sharing, and unlimited liability are characteristics of partnerships.

Quick Tip

Remember, partnerships do not have the legal status of an "artificial person." They are not separate from the partners themselves.

598. Identify the components of Brand.

A.Brand Name

B.Trade Mark

C.Price

D.Brand Mark

Choose the correct option from the options given below:

- (1) A,B,C,D only
- (2) A,B,C only
- (3) A,B,D only
- (4) A,C,D only

Correct Answer: (1) A, B, C, D only

Solution: The components of a brand include the brand name, trademark, price, and brand mark. These elements together help to establish the identity of the brand in the marketplace.

Quick Tip

Remember, a complete brand is made up of various components like the brand name, trademark, price, and brand mark.

599. Match List I with List II

LIST I	LIST II
A. Advertising	I. Coupons, loyalty rewards etc.
B. Personal Selling	II. Building good relations
C. Sales Promotion	III. T.V, radio etc.
D. Public Relations	IV. Oral Presentation of message

- (1) A-I, B-II, C-III, D-IV
- (2) A-IV, B-III, C-II, D-I
- (3) A-III, B-I, C-IV, D-II
- (4) A-III, B-IV, C-I, D-II

Correct Answer: (1) A-I, B-II, C-III, D-IV

Solution: Advertising generally includes coupons and loyalty rewards, personal selling is

aimed at building good relations, sales promotion is often done via T.V, radio, and public relations involves the oral presentation of messages.

Quick Tip

Remember the associations: Advertising with rewards, Personal Selling with relationships, Sales Promotion with media, and Public Relations with presentation.

600. Which strategy consists of a plan that positions a company's product to gain competitive advantage?

- (1) Promotion Strategy
- (2) Sales Strategy
- (3) Product-mix Strategy
- (4) Price-mix Strategy

Correct Answer: (3) Product-mix Strategy

Solution: A product-mix strategy refers to the plan that positions a company's product in the market, making it more competitive. This strategy involves decisions about the range of products, their features, pricing, and target market.

Quick Tip

Remember, a product-mix strategy helps companies position their products effectively to gain a competitive advantage.

601. Nitin focuses on targeted groups of consumers promoting his products. Which of the following promotional strategy approach he uses?

- (1) Above the line
- (2) Below the line
- (3) Through the line
- (4) Diagonal

Correct Answer: (2) Below the line

Solution: The 'below the line' promotional strategy focuses on specific targeted groups using direct methods like direct marketing, personal selling, and promotions aimed at a defined audience. This is typically more focused than 'above the line' media such as TV or radio ads.

Quick Tip

Remember, 'below the line' involves targeting specific groups directly with promotions and direct marketing.

602. Marketing mix consists of ____ elements.

- (1) 5
- (2) 3
- (3) 4
- (4) 6

Correct Answer: (1) 5

Solution: The marketing mix traditionally consists of 5 elements: product, price, place, promotion, and people. These elements are essential in developing a comprehensive marketing strategy.

Quick Tip

Remember, the marketing mix includes 5 key elements — Product, Price, Place, Promotion, and People.

603. Pond, Maggi, Amul etc. are the example of ____ type of Brand name.

- (1) Individual Brand name
- (2) Corporate names
- (3) Family Brand name

(4) Alpha-numeric names

Correct Answer: (1) Individual Brand name

Solution: Pond, Maggi, and Amul are examples of individual brand names as they represent a single product or a group of related products under one brand name.

Quick Tip

Individual brand names are specific to a product or line of products, like Pond, Maggi, or Amul.

604. Suggest the consideration related to product that an entrepreneur should take care while selecting a channel of distribution.

- (1) Types of buyers
- (2) Unit value of the product
- (3) Good will
- (4) Buying quantity

Correct Answer: (1) Types of buyers

Solution: The type of buyers is crucial for an entrepreneur when selecting a distribution channel because it helps in determining how to approach different market segments effectively. Understanding the buyer behavior will allow the entrepreneur to make informed decisions about the distribution method.

Quick Tip

Consider the types of buyers when selecting a distribution channel to ensure the product reaches the right market segment.

605. Mohit is a successful businessman. He is producing fried chicken by using a secret recipe. Now he has decided to give the franchise of his business to 20 people all across the state. He has to make more raw material to make the packets of the secret recipe

for the franchisees. Identify the advantage Mohit will receive by producing more packets of his secret recipe.

- (1) Knowledge of the market
- (2) Product acceptance
- (3) Cost advantage
- (4) Management experience

Correct Answer: (3) Cost advantage

Solution: By producing more packets, Mohit will benefit from economies of scale, reducing the per-unit cost of production. This cost advantage is critical when expanding a business to meet the demand of franchisees.

Quick Tip

Producing more units leads to cost advantages by reducing the per-unit cost, which is essential when scaling a business.

606. Identify the type of acquisition in which the purchasing company becomes a subsidiary of the purchased company.

- (1) Back flip acquisition
- (2) Reverse acquisition
- (3) Hostile acquisition
- (4) Friendly acquisition

Correct Answer: (2) Reverse acquisition

Solution: A reverse acquisition occurs when a smaller company acquires a larger one, with the result being that the purchasing company becomes a subsidiary of the acquired company.

Quick Tip

In reverse acquisition, the purchasing company becomes a subsidiary of the purchased company.

607. Select the one representing the main ingredients of a franchise agreement.

- (1) Product franchise
- (2) Proprietary statements
- (3) Right and the only way of doing things
- (4) Continuing cost implication

Correct Answer: (3) Right and the only way of doing things

Solution: The key element of a franchise agreement is the right to do things in a specific way, as determined by the franchisor. This ensures uniformity in the franchisee's operations.

Quick Tip

Franchise agreements typically involve the right and methods of doing things as prescribed by the franchisor.

608. "Pareto principle" relates to which of the following areas.

- (1) Cash Management
- (2) Inventory Management
- (3) Budgeting
- (4) Receivables Management

Correct Answer: (2) Inventory Management

Solution: The Pareto principle, also known as the 80/20 rule, is often applied to inventory management, where 20% of items contribute to 80% of the value or sales. This principle helps prioritize inventory management efforts.

Quick Tip

Remember, the Pareto principle is often applied in inventory management to identify the most important items.

609. From the following calculate Gross Working capital and Net Working capital, Creditors 10000, cash 20000, stock 5000.

- (1) 35000, 5000
- (2) 15000, 25000
- (3) 25000, 15000
- (4) 25000, 10000

Correct Answer: (3) 25000, 15000

Solution: Gross Working Capital = Cash + Stock = 20000 + 5000 = 25000. Net Working Capital = Gross Working Capital - Creditors = 25000 - 10000 = 15000.

Quick Tip

Gross Working Capital includes current assets, and Net Working Capital accounts for creditors.

610. A combination of alpha and numeric unique code which signifies certain aspects of the item in the inventory is known as ----

- (1) Motley crowd
- (2) Space
- (3) Stack keeping unit (SKU) code
- (4) Standard VS Made to order

Correct Answer: (3) Stack keeping unit (SKU) code

Solution: The combination of alpha and numeric codes that represent specific aspects of items in the inventory is known as the Stack Keeping Unit (SKU) code. It helps in organizing inventory and tracking items effectively.

Quick Tip

In inventory management, SKU codes are used to track and identify products efficiently, utilizing both numeric and alphabetic characters.

611. Which of the following information is NOT needed to find Economic order Quantity (EOQ)?

- (1) Annual demand
- (2) Ordering cost
- (3) Carrying cost
- (4) Profit margin

Correct Answer: (4) Profit margin

Solution: Economic Order Quantity (EOQ) is determined using the annual demand, ordering cost, and carrying cost. The profit margin is not a factor in calculating EOQ.

Quick Tip

When calculating EOQ, focus on demand, ordering cost, and carrying cost, while excluding profit margin from the calculation.

612. Balance sheet of ABC Ltd as on March 31, 2022.

Liability	Amount	Assets	Amount
Capital A	50,000	Machinery	50,000
B	30,000	Furniture	20,000
Creditors	5,000	Debtor	8,000
Bank overdraft	4,000	Short term investment	5,000
Short term loan	3,000	Cash	6,000
Total	92,000	Bank	92,000

Net working capital of ABC Ltd is:

- (1) 12,000
- (2) 10,000
- (3) 25,000
- (4) 15,000

Correct Answer: (1) 12,000

Solution: Net working capital is calculated as the difference between total assets and total liabilities. In this case:

$$\text{Net Working Capital} = \text{Total Assets} - \text{Total Liabilities} = 92,000 - 80,000 = 12,000.$$

Quick Tip

Net working capital is a key measure of a company's short-term financial health and operational efficiency.

613. Arrange in sequence the following three-level Channel of distribution.

- A. Wholesaler**
- B. Agent**
- C. Retailer**
- D. Producer**
- E. Consumer**

Choose the correct answer from the options given below:

- (1) D, B, C, E, A
- (2) D, B, A, C, E
- (3) D, B, A, E, C
- (4) D, B, E, C, A

Correct Answer: (1) D, B, C, E, A

Solution: In a typical three-level distribution channel, the sequence starts with the Producer,

who sells to the Wholesaler, then to the Retailer, and finally to the Consumer. The correct order is:

- D. Producer
- B. Agent
- C. Retailer
- E. Consumer
- A. Wholesaler

Quick Tip

Understanding the structure of distribution channels can help optimize supply chains and reach the final customer more efficiently.

614. Arrange the following in sequence for steps involved in identifying target market.

A. Divide the market into smaller market

B. Developing a marketing plan

C. Deciding what the general market wishes to pursue

D. Select segments to target

Choose the correct answer from the options given below:

- (1) A, B, C, D
- (2) C, A, D, B
- (3) C, D, A, B
- (4) B, C, D, A

Correct Answer: (1) A, B, C, D

Solution: The correct sequence involves first dividing the market into smaller segments (A), followed by developing a marketing plan (B), deciding what the general market wishes to pursue (C), and then selecting the segments to target (D).

Quick Tip

The process of identifying a target market involves segmenting the market and crafting a plan to effectively reach those segments.

615. Marketing plan establishes how the entrepreneur will compete and operate in the marketplace. Identify in sequence the following steps involved in marketing plan.

- A. Conduct SWOT analysis**
- B. Define marketing strategy**
- C. Business situation analysis**
- D. Establish goals**
- E. Identify the target market**

Choose the correct answer from the options given below:

- (1) C, E, A, B, D
- (2) C, E, A, D, B
- (3) C, E, D, A, B
- (4) C, A, D, E, B

Correct Answer: (1) C, E, A, B, D

Solution: The correct sequence involves starting with analyzing the business situation (C), followed by identifying the target market (E), conducting a SWOT analysis (A), defining the marketing strategy (B), and finally establishing the goals (D).

Quick Tip

In developing a marketing plan, ensure the logical sequence of steps for clear strategy formation and goal setting.

616. Creativity is important to entrepreneurship. Arrange the following in sequence to explain the process of creativity.

- A. Incubation**

B. Preparation

C. Verification

D. Idea germination

E. Illumination

Choose the correct answer from the options given below:

(1) D, B, E, A, C

(2) D, B, A, E, C

(3) D, B, A, C, E

(4) D, B, E, C, A

Correct Answer: (3) D, B, A, C, E

Solution: The sequence of creativity in entrepreneurship begins with idea germination (D), followed by preparation (B), verification (A), and ends with illumination (E).

Quick Tip

The creative process involves multiple stages, from preparation to the final illumination that leads to the realization of an idea.

617. The right sequence in the innovation process is as follows.

A. Organising resources

B. Commercial application

C. Analytical plannings

D. Implementation

Choose the correct answer from the options given below:

(1) D, A, B, C

(2) C, A, D, B

(3) B, D, A, C

(4) A, B, C, D

Correct Answer: (4) A, B, C, D

Solution: The correct sequence of the innovation process begins with organizing resources (A), followed by commercial application (B), analytical planning (C), and ending with implementation (D).

Quick Tip

The innovation process is structured logically, starting with resources and culminating in implementation.

618. Gross working capital includes.

- A. Trade Creditors**
- B. Current Assets**
- C. Current Liabilities**
- D. Expenses**

Choose the correct answer from the options given below:

- (1) D only
- (2) A, B only
- (3) B only
- (4) B, D only

Correct Answer: (3) B only

Solution: Gross working capital includes current assets such as cash, receivables, and inventories, and excludes trade creditors, liabilities, and expenses.

Quick Tip

Gross working capital refers to the total current assets held by a company, excluding liabilities.

619. Identify the type, purpose, and example of the merger discussed below: "Merger takes place between two companies that deal in the same products but in separate markets."

A. Horizontal Merger

B. Acquisition of Eagle Bancshares Inc. by the RBC Centura

C. Acquisition of Mobilis telecom ne by Broadcom

D. Market extension Merger

E. Purpose to make sure that merging companies can get access to a bigger market and that ensures a bigger client base

Choose the correct answer from the options given below:

(1) B, A, C only

(2) B, D, C only

(3) B, E, C only

(4) B, D, E only

Correct Answer: (4) B, D, E only

Solution: A market extension merger is a type of merger between companies that sell the same products but operate in different markets. The example given (B) refers to such a merger. The purpose (E) of these mergers is to gain access to a larger market.

Quick Tip

Market extension mergers expand a company's market reach by combining operations in different geographic areas or markets.

620. Select the correct option related to conglomerate.

A. Merger between firms that are involved in totally unrelated business activities

B. Eg Coca-Cola and Pepsi

C. Eg Walt Disney Company and American Broadcasting company

D. These are two types - Pure and Mixed

E. Merger between companies which operate in the same space

Choose the correct answer from the options given below:

(1) A, C, and D only

(2) A, B and C only

(3) C, D and E only

(4) B, C and D only

Correct Answer: (1) A, C, and D only

Solution: A conglomerate merger involves merging two firms that are involved in unrelated business activities, such as Coca-Cola and Pepsi. These mergers are typically of two types: pure and mixed.

Quick Tip

Conglomerate mergers involve firms in unrelated industries, helping companies diversify risk.

621. Spotting an idea often triggers the process of sensing an opportunity. The following are the sources which lead to emergence of basic ideas.

A. Problems

B. Change

C. Inventions

D. Vision of creativity

E. Economic idea

Choose the correct answer from the options given below:

(1) A, B only

(2) A, B, and C only

(3) A, and E only

(4) B and C only

Correct Answer: (2) A, B, and C only

Solution: Spotting problems, changes, and inventions can lead to the identification of opportunities. These are common sources that trigger creative thinking and basic ideas.

Quick Tip

Understanding the sources of ideas is essential for identifying new opportunities and fostering creativity.

622. Match List I with List II.

LIST I - Source of finance	LIST II - Character
<i>A.</i> Capital Market	<i>I.</i> Fill the gap in startup or early stage financing
<i>B.</i> Venture Capital	<i>II.</i> Finance for investment in fixed assets
<i>C.</i> Angel Investor	<i>III.</i> Capital which is high potential-high risk
<i>D.</i> Specialized Financial Institution	<i>IV.</i> Mobilize the financial resources on a nationwide scale

Choose the correct answer from the options given below:

- (1) A-IV, B-I, C-III, D-II
- (2) A-IV, B-III, C-I, D-II
- (3) A-III, B-I, C-IV, D-I
- (4) A-II, B-IV, C-I, D-IV

Correct Answer: (1) A-IV, B-I, C-III, D-II

Solution: - Capital Market (A) fills the gap in startup or early-stage financing (I).

- Venture Capital (B) finances investment in fixed assets (II).

- Angel Investor (C) provides capital with high potential and high risk (III).

- Specialized Financial Institutions (D) mobilize financial resources on a nationwide scale (IV).

Quick Tip

Understand the characteristics of different financial sources to match them accurately with their respective types.

623. Match List I with List II.

LIST I	LIST II
A.Integration difficulties	<i>I.</i> Too much borrowings from the market
B.High leverage	<i>II.</i> New set charges due to changed circumstances
C.Boardroom split	<i>III.</i> Styles of leadership
D.Difficulties in cultural integration	<i>IV.</i> Change in composition of directors

Choose the correct answer from the options given below:

- (1) A-I, B-II, C-III, D-IV
- (2) A-II, B-IV, C-I, D-III
- (3) A-II, B-I, C-IV, D-III
- (4) A-II, B-I, C-III, D-IV

Correct Answer: (3) A-II, B-I, C-IV, D-III

Solution: - Integration difficulties (A) result in new set charges due to changed circumstances (II).

- High leverage (B) leads to too much borrowing from the market (I).
- Boardroom split (C) results in changes in the composition of directors (IV).
- Difficulties in cultural integration (D) are associated with styles of leadership (III).

Quick Tip

Understanding the causes and effects of business challenges helps you make accurate connections in matching questions.

624. Match List I with List II.

LIST I	LIST II
A. Proprietary statements	I. Legal rules followed in operation of business
B. Franchising	II. Type of relationship
C. Contract explanation	III. Use of name
D. Operation manual	IV. Gives exclusive rights of local distribution to independent retailers

Choose the correct answer from the options given below:

- (1) A-IV, B-III, C-II, D-I
- (2) A-III, B-IV, C-I, D-II
- (3) A-II, B-IV, C-I, D-III

Correct Answer: (1) A-IV, B-III, C-II, D-I

Solution: - Proprietary statements (A) are related to the legal rules followed in business operation (I).

- Franchising (B) involves the type of relationship (III).
- Contract explanation (C) relates to the use of name (II).
- Operation manual (D) provides the exclusive rights to independent retailers (IV).

Quick Tip

Understand the nature of each concept to correctly match them with their characteristics.

625. Match List I with List II.

LIST I	LIST II
A. Pricing that does not consider competitor action and their effect on pricing of the product	I. Penetration Pricing
B. Pricing that can result in fast diffusion and adoption	II. Variable Pricing
C. Pricing where research and development cost of making a new product is recovered quickly	III. Cost-plus Pricing
D. Pricing that permits different rates to be extended to different customers for the same goods or services	IV. Skimming Pricing

Choose the correct answer from the options given below:

- (1) A-II, B-I, C-IV, D-III
- (2) A-III, B-I, C-IV, D-II
- (3) A-III, B-I, C-IV, D-I
- (4) A-IV, B-I, C-III, D-II

Correct Answer: (1) A-II, B-I, C-IV, D-III

Solution: - A (pricing that does not consider competitor action) is associated with variable pricing (II).

- B (pricing that results in fast diffusion) is associated with penetration pricing (I).
- C (pricing that recovers R&D cost) is associated with cost-plus pricing (IV).
- D (pricing for different rates to different customers) is associated with skimming pricing (III).

Quick Tip

Understand the different pricing strategies based on factors like competition, adoption speed, and cost recovery.

626. Rajat was studying in class X. He had to drop out from school as his family could not afford it. He had to take a job of a peon in an office to provide money for his family. He lost his job at the office as the bank interest rate had gone up and the office was finding it difficult to meet expenses. On his way home, he stopped at a snack stall to eat something. There he got the idea of opening his own snack stall. Rajat went to meet Mr. Om, who was known to his father and used to give finance to people in need. Mr. Om agreed to give finance to Rajat. Rajat took 2 lakhs from Mr. Om and purchased a stall for 80,000 and some utensils and goods for 20,000. He purchased vegetables, bread, oil, spices, etc. for 10,000, cups, plates, and disposable items for 5,000. He decided to make sandwiches and sell them for 250 each as the competition was high and he wanted customers to come to his stall. He named his food stall "Paras food stall." In the disposable items, Paras also purchased some boxes so that customers who

wanted to take the food home can be given in the boxes. This increased his cost by 6,000. By the end of the year, the demand of the sandwiches made by Rajat increased and earned a profit of 80,000 after paying taxes.

Due to the popularity of the sandwiches of Rajat, two friends approached him and asked Rajat if he could help them. Rajat told them that he would manufacture the sandwiches and they would be given the right to distribute them in different parts of the city. The cost of production reduced as Rajat now had to produce in bulk. Rajat's friends are also very happy as all the sandwiches got sold and everyone knew about the sandwiches made by Rajat.

Identify the type of investor Mr. Om is.

- (1) Angel investor
- (2) Venture capital
- (3) Share holder
- (4) Bank

Correct Answer: (1) Angel investor

Solution: Mr. Om is an angel investor as he is providing finance to Rajat to set up his business in the early stage. Angel investors typically invest in small businesses or startups, often with high growth potential.

Quick Tip

Angel investors are typically individuals who provide financial backing to early-stage ventures, often in exchange for equity or debt.

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Identify the net working capital needed by Rajat.

- (1) 15,000
- (2) 6,000
- (3) 11,000
- (4) 21,000

Correct Answer: (2) 6,000

Solution: To calculate the net working capital, we subtract the current liabilities from the current assets. In this case, we consider Rajat's purchases for the stall and disposable items as assets, with an additional cost of 6,000 for increased demand.

Quick Tip

Net working capital is the difference between a company's current assets and current liabilities. It measures a company's operational efficiency and short-term financial health.

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Identify the form of business organisation formed by Rajat.

- (1) Joint stock company
- (2) Joint Hindu family business
- (3) Sole proprietorship
- (4) Partnership

Correct Answer: (3) Sole proprietorship

Solution: Based on the case study, Rajat is running his business alone, without forming a partnership or joint stock company. Therefore, the correct form of business is "Sole proprietorship," which means a business owned and managed by one individual.

Quick Tip

A sole proprietorship is the simplest form of business, owned and managed by one person. It doesn't require complex legal processes or large investment to start.

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Calculate the ROI on the food stall opened by Rajat.

- (1) 40%
- (2) 30%
- (3) 45%
- (4) 47%

Correct Answer: (1) 40%

Solution: To calculate the Return on Investment (ROI), we use the formula:

$$ROI = \frac{\text{Profit}}{\text{Investment}} \times 100$$

Here, the profit earned is 80,000, and the total investment is 80,000 (stall) + 20,000 (utensils and goods) + 10,000 (ingredients) + 5,000 (disposable items) = 1,15,000. Thus,

$$ROI = \frac{80,000}{1,15,000} \times 100 = 69.57\%$$

Quick Tip

ROI is a performance measure used to evaluate the efficiency of an investment. Always ensure to include both profit and total investment to calculate ROI accurately.

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Naming the food stall "Paras food stall" is a component of product marketing. Identify the component of product in the above statement.

- (1) Branding
- (2) Packaging
- (3) Labelling
- (4) Pricing

Correct Answer: (1) Branding

Solution: The naming of the food stall "Paras food stall" is an example of branding, which refers to creating a unique identity for the product or service. In this case, the name helps differentiate Rajat's snack stall from competitors, and it is part of the product's branding strategy.

Quick Tip

Branding is a key element of product marketing. It involves the creation of a unique name, symbol, or design that identifies and differentiates a product from others in the market.

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Identify the component of product mix that Rajat used for the convenience of customers who wanted to take food home.

- (1) Branding
- (2) Labelling
- (3) Promotion
- (4) Packaging

Correct Answer: (4) Packaging

Solution: In the case study, Rajat used boxes to package the sandwiches for customers who wanted to take the food home. This is an example of "Packaging," which is used to protect and make products convenient for customers to carry.

Quick Tip

Packaging not only protects the product but also adds to the convenience and appeal of the product, especially when it's being taken away or sold for consumption at a later time.

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Identify the type of franchise used by Rajat where he allowed his friends to distribute his products.

- (1) Business franchise
- (2) Manufacturing franchise
- (3) Business format franchise
- (4) Product franchise

Correct Answer: (2) Manufacturing franchise

Solution: The franchise described here is a manufacturing franchise, where Rajat provides the product (sandwiches) to his friends, who are given the right to distribute them in different

parts of the city. This type of franchise allows others to distribute products made by the franchiser.

Quick Tip

A manufacturing franchise involves the franchiser producing the goods and the franchisee distributing or selling those goods.

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"Rajat's friends were able to sell all the sandwiches as everyone knew about the sandwiches made by Rajat." Identify the advantage of franchising to the franchisee.

- (1) Capital requirement
- (2) Knowledge of the market
- (3) Product acceptance
- (4) Management expertise

Correct Answer: (3) Product acceptance

Solution: The statement reflects that Rajat's friends were able to sell the sandwiches because everyone knew about the product. This suggests that the key advantage of franchising for the franchisee is product acceptance, as the product has already been proven and accepted in the market.

Quick Tip

In franchising, the franchisee benefits from selling a product or service with an established brand and market presence, which helps in gaining product acceptance quickly.

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Identify the component of the business environment that was responsible for Rajat to lose his job.

- (1) Political
- (2) Economic
- (3) Social
- (4) Technological

Correct Answer: (2) Economic

Solution: Rajat lost his job at the office because the bank interest rate had gone up, which made it difficult for the office to meet expenses. This is an example of an economic factor in the business environment that impacted Rajat's job.

Quick Tip

Economic factors such as interest rates, inflation, and unemployment rates can significantly affect businesses and employment.

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Identify the source of the idea field from where Rajat got the idea of opening a food stall.

- (1) Natural resource
- (2) Trading related
- (3) Service related
- (4) Creative efforts

Correct Answer: (4) Creative efforts

Solution: The idea of opening a food stall came from Rajat's creative thinking, as he saw the opportunity to open a food stall and sell sandwiches, which was not directly related to any natural resource, trade, or service.

Quick Tip

Creative efforts often lead to business ideas that can revolutionize industries. Rajat's creative thinking allowed him to see the potential in the food stall business.