TERM-1 EXAMINATION (2026-27)
CLASS XII — ENTREPRENEURSHIP (066)
SET 2 - MS

Class: XII **Time: 3hrs**
Date: 11/09/2026 **Max Marks: 70**
Admission no: **Roll no:**

Q1. Neha, a budding designer, wants to introduce her handmade jewellery brand to a group of investors. She prepares a brief 2–3-minute talk to spark their interest before going into details. Neha is using the format of presenting a business plan. **[1]**

(a) Detailed Project Report (DPR) **(b) Elevator Pitch**

(c) Feasibility Report (d) Executive Summary

Q2. A rise in the disposable income of urban consumers led to a higher demand for organic food products across the country. This is an example of which factor of the PESTEL model? **[1]**

(a) Political Factor **(b) Economic Factor**

(c) Social Factor (d) Legal Factor

Q3. ________ is the stage in the process of innovation in which the entrepreneur consciously gathers information and works upon an idea to develop it further. **[1]**

(a) Idea germination

(b) Preparation

(c) Incubation

(d) Verification

Q4. The level of inventory at which a fresh order should be placed to avoid a stock-out situation is known as the: **[1]**

(a) Economic Order Quantity (EOQ)

(b) Re-order Level

(c) Safety Stock

(d) Break-even Point

Q5. State whether the following statement is 'true' or 'false'. **[1]**

"Market survey is not important for an entrepreneur since innovation alone is enough to understand market needs."

(a) True, because innovation alone reveals customer preferences.

(b) False, because market survey helps entrepreneurs identify actual customer needs, demand and taste.

(c) True, because market survey is only useful after the product is launched.

(d) False, because only advertising can reveal customer needs.

Q6. Rohan works for a lifestyle magazine and regularly visits food festivals, trade fairs and exhibitions, apart from reading trade journals, to identify upcoming trends. Identify the way of spotting trends used by Rohan. **[1]**

(a) Watch trends (b) Talk trends

(c) Read trends (d) Think trends

Q7. During a campus interview, a student was asked to list the four rules for planning any advertising message. He replied: Attention, Interest, Desire, Budget. **[1]**

(a) The answer is correct because these are the four rules of advertising message planning.

(b) The answer is incorrect because 'Budget' should be replaced with 'Action'.

(c) The answer is incorrect because 'Desire' should be replaced with 'Media'.

(d) The answer is incorrect because 'Interest' should be replaced with 'Competitors'.

Q8. Riya noticed elderly people in her neighbourhood struggling to book medical appointments online, so she decided to develop an app that makes appointment booking simple for them. From the following, identify the "idea field" used by Riya to develop the app. **[1]**

(a) Creative efforts

(b) Trading related ideas

(c) Market driven ideas

(d) Natural resources

Q9. Match the following: **[1]**

COLUMN 1	COLUMN 2
1. Cash Flow Statement	i. Actual receipts and payments are recorded
2. Break Even Point	ii. Total revenue is equal to the total cost of the firm
3. Proforma Balance Sheet	iii. A summary of projected assets and liabilities
4. Proforma Invoice	iv. An estimated bill of goods sent before actual sale

(a) i, ii, iii, iv (b) ii, i, iii, iv

(c) iii, iv, i, ii (d) iv, iii, ii, i

Q10. Assertion (A): A conglomerate merger takes place between companies operating in entirely unrelated industries. **[1]**

Reason (R): Such a merger primarily helps the acquiring company diversify its business risk.

(a) Both A and R are true, and R is the correct explanation of A

(b) Both A and R are true, but R is NOT the correct explanation of A

(c) A is true, but R is false

(d) A is false, but R is true

Q11. During the last month, a total of 320 people took a meal at a restaurant and the total billed amount was Rs. 64,000. The unit price per person will be: **[1]**

(a) Rs. 200 (b) Rs. 210

(c) Rs. 180 (d) Rs. 250

Q12. Match the following: **[1]**

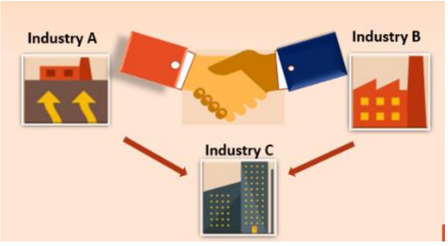
COLUMN 1 – Types of Mergers	COLUMN 2 – Examples
1. Horizontal merger	i. Two competing airlines merge to increase market share
2. Vertical merger	ii. A car manufacturer acquires a tyre manufacturing company

3. Conglomerate merger	iii. A cement company acquires a fashion retail chain
4. Market extension merger	iv. A regional bank merges with a bank operating in another region

(a) i, ii, iii, iv (b) ii, i, iv, iii

(c) iv, iii, ii, i (d) iii, iv, i, ii

Q13. Which of the following forms of business model is represented in the image below. **[1]**



(a) Franchising (b) Acquisition

(c) **Merger** (d) None of the above

Q14. A shoe manufacturer acquiring a leather processing company is an example of: **[1]**

(a) Horizontal merger (b) Conglomerate merger

(c) Market penetration **(d) Vertical merger**

Q15. Which of the following is related to 'Above the Line' promotion that a company can use to promote its products. **[1]**

(a) It uses conventional mass media such as television, print, online and cinema to target a mass audience.

(b) It targets small, identified groups of customers directly.

(c) It relies mainly on personal selling.

(d) It is always lower in cost than below the line promotion.

Q16. ASSERTION (A): Packaging acts as a silent salesman. **[1]**

REASON (R): It protects the product and also promotes it by attracting the attention of the customer and providing required information.

(a) Both A and R are true, and R is the correct explanation of A

(b) Both A and R are true, but R is NOT the correct explanation of A

(c) A is true, but R is false

(d) A is false, but R is true

Q17. A report that specifically deals with the money required, the sources of finance and the expected returns of a new venture is called a: **[1]**

(a) Financial plan (b) Marketing plan

(c) Business plan (d) Operational plan

Q18. Meera and Kabir are partners in a furniture manufacturing business. With a view to expand, they wish to raise capital from the public while also limiting their liability. **[1]**

(a) Public limited company

(b) Private limited company

(c) Corporate organisation

(d) None of the above

Q19. "Entrepreneurs receive ideas from various sources, but it is more important to take these ideas seriously and convert them into business opportunities." State the main sources of ideas. **[1]**

Ans) Problems; Change; Inventions; Competitions

Q20. State any four functions/importance of a business plan. **[1]**

Ans) i. Helps in assessing the viability of the venture in the target market

ii. Provides guidance to the entrepreneur in organising and planning activities

iii. Helps in raising funds/attracting investors and lenders

iv. Provides room for self-assessment and self-evaluation

Q21. (A). Meera has been running a tailoring business alone for the past three years. She takes all the decisions herself, is aware that her liability is unlimited, has 5 fixed customers to whom she offers a credit of 10 days, and is unable to expand beyond her small-scale operation. **[2]**

i. Identify the form of business carried by Meera.

ii. State any three features of the business that can be identified from the above.

Ans) i. Sole Proprietorship

ii. Single ownership; Unlimited liability; One-man control; Small size of business (any three)

OR

(B) Aarav and Diya have started a bakery business, investing Rs. 1,50,000 each. They now want to expand and admit two more people into the business. They have registered their business.

1. Identify the form of business carried by Aarav and Diya.

2. Can they admit two more people into their business?

3. Under which Act have they got their business registered?

4. What is the biggest demerit of this type of business?

Ans) i. Partnership

ii. Yes, if all the existing partners agree

iii. Indian Partnership Act, 1932

iv. Unlimited liability

Q22. State any four importance of a Trademark. **[2]**

Ans) i. Helps distinguish the goods/services of one enterprise from another

ii. Builds brand loyalty and trust among customers

iii. Provides legal protection against imitation and misuse

iv. Enhances the goodwill and market value of the enterprise

Q23. A company acquires a majority stake in another company with the full consent and cooperation of the target company's existing management, with the aim of achieving mutual growth and shared synergies. **[2]**

i. Identify the type of takeover from the above.

ii. Explain one benefit of the takeover identified.

Ans) Friendly Takeover: It is done with the mutual consent of both the acquiring and the target company.

Benefit: It helps both companies gain from shared resources, technology and market synergies, leading to smoother integration and mutual growth.

Q24. (A). What is meant by Working Capital? Why is it important for the smooth day-to-day operations of a business? **[2]**

Ans) Working capital is the capital required by a business to meet its day-to-day operational expenses, such as purchase of raw material, payment of wages, etc.

It is important because it ensures smooth functioning of the business, timely payment of short-term obligations, and uninterrupted production and sales activity.

OR

(B) "The budgeting period is the same for all types of business." Do you agree? Comment.

Ans) No, I don't agree with the statement. The budget period depends upon the type and size of the business enterprise.

i. For seasonal enterprises (food and clothing), the budget period is generally short and covers one season.

ii. For heavy industries with large capital expenditure (engineering works/automobile industries), the budget period is generally long.

Q25. What is franchising? Explain any two advantages of franchising to the franchisee. **[3]**

Ans) Franchising is an arrangement in which the franchisor grants the franchisee the right to use its trademark, business model and processes in exchange for a fee/royalty.

Advantages to the franchisee:

i. Reduced risk of failure, since it is a proven and tested business model

ii. Receives training, support and guidance from the franchisor

iii. Benefits from an already established brand name and goodwill

Q26. What is manpower planning? Why is it necessary for every business unit? [3]

Ans) Manpower Planning is a process by which an entrepreneur ensures that he/ she has the right number of people, and right kind of people, at the right place and the right time to do work for which they are economically most suitable. Manpower planning is necessary for every business unit because it helps to assesses:

(i) What kind of people are required?

(ii) How many people are required?

(iii) How will they be selected?

Q27. (A). What are the various elements of promotion mix, explain? **[3]**

Ans) • **Advertising**: Any paid form of non-personal communication and promotion of ideas, goods, or services by an identified sponsor using mass media like television, radio, print, and online banners.

 Sales Promotion: Short-term incentives such as discounts, coupons, samples, and contests designed to encourage quick trial or immediate purchase of a product or service.

 Personal Selling: Face-to-face or direct one-on-one interaction between a company's sales representatives and potential buyers to build relationships and close complex sales.

 Public Relations (PR): Building good relations with the company's various publics through favourable publicity, community events, sponsorships, and press releases to manage a positive corporate image.

 Direct Marketing: Targeted, individual communication via email, telemarketing, text messages, or physical mail directed closely at specific consumers to get an immediate response.

OR

(B) Explain in detail any three pricing strategies.

Ans) Penetration pricing: The product is introduced at a low price to quickly capture a large market share and discourage competitors. Once the market is established, the price may gradually be increased.

Psychological pricing: Prices are set to have a psychological impact on customers, e.g. pricing a product at Rs. 999 instead of Rs. 1000, which appears significantly cheaper to the buyer.

Bundle pricing: Two or more products are sold together as a single package at a price lower than the sum of their individual prices, encouraging customers to buy more.

Q28. Two textile companies operating in different geographical regions decided to combine their operations to access a wider customer base and achieve economies of scale. This led to overall growth for both companies. **[3]**

i. Identify the enterprise growth strategy adopted by the two companies.

ii. State the benefits that the companies have after this arrangement.

Ans) A Market Extension Merger takes place between two companies dealing in the same products but operating in separate/different markets, so as to gain access to a bigger market and client base.

Benefits:

(a) Synergy: The combined entity gains value greater than the sum of the individual firms, through revenue enhancement and cost savings.

(b) Entry into new markets: It provides hassle-free entry into new markets without facing stiff competition from existing players.

(c) Improved profitability: Companies anticipate that the combined operations will improve overall profitability.

Q29. Explain the advantages of franchising to the franchisee. **[3]**

Ans) Product acceptance, Management Expertise, Capital Requirements, Knowledge of market

Q30. Priya, a graphic designer, wants to start her own design studio. She does not want to share her profits with outsiders and wants complete control over decision-making. She is willing to bear unlimited liability for her small-scale operation and wants minimal registration formalities while operating under her own trade name. She wants to register her business under GST and apply for a Shop and Establishment licence, understanding it will be useful as her business scales up. **[5]**

(a) Identify the most suitable form of business organisation for Priya. Give one reason for your answer. (2 Marks)

(b) Explain any two advantages of the form of business organisation identified in part (a). (2 Marks)

(c) Name one legal registration or licence (other than GST Registration) that Priya should obtain before starting her business. (1 Mark)

Ans) a. She should choose a Sole Proprietorship because it offers her full control over decisions and does not require sharing of profits with anyone else.

b. i. Full and independent control over all business decisions.

ii. All profits are retained by the owner alone.

iii. Minimal legal formalities are required to start and run the business.

c. Shop and Establishment Licence

Q31. (A). Explain any five factors of the PESTEL model that impact the business environment of an enterprise. **[5]**

Ans) Political: Government policies, taxation and political stability affect how freely a business can operate.

Economic: Factors such as inflation, interest rates and income levels influence the demand for goods and services.

Social: Changes in lifestyle, culture and consumer attitudes affect what and how products are consumed.

Technological: Advances in technology affect production methods, costs and the way products are marketed.

Legal: Laws relating to labour, consumer protection and business registration must be complied with.

OR

(B) Explain the factors affecting channel of distribution with relation to market consideration.

Ans) Number of buyers, Type of buyers, Buying habits, Buying quantity, Size of market.

Q32. State five differences between Advertising and Sales Promotion. **[5]**

Ans) Differentiate as per the basis – Nature, Objective, Cost, Duration and Effect

Ans)

Basis	Advertising	Sales Promotion
Nature	Indirect and impersonal method of communication	Direct incentive-based method to boost sales
Objective	Builds long-term brand image and awareness	Aims at immediate/short-term increase in sales
Cost	Generally involves a higher recurring cost	Comparatively lower and one-time cost
Duration	Continuous and long-term activity	Short-term and temporary activity
Effect	Creates a lasting effect on brand recall	Creates a quick but temporary boost in sales

Q33. Explain briefly the steps involved in the process of mergers and acquisitions. [5]
Ans) Step 1- Analysis of client's requirements
Step 2- Generating Ideas
Step 3 – Valuing Companies
Step 4 – Identifying potential partners
Step 5 – Drawing up documents
Step 6 – Due Diligence

Q34. (A). Comfy Seating is a manufacturer of four types of chairs – small, medium, large and executive. From the information given below, calculate the Break-Even Quantity of chairs manufactured per month. **[5]**

TYPE OF CHAIR	UNIT SELLING PRICE	UNIT VARIABLE COST	FIXED EXPENSES
SMALL	5,000	2,000	30,000
MEDIUM	8,000	3,000	25,000
LARGE	12,000	7,000	60,000
EXECUTIVE	20,000	12,000	1,60,000

OR

(B) A cab aggregator company, Quick Ride, had a varying number of customers during five weeks. The information regarding the number of customers and average weekly billing is presented in the table below. What is the 'unit of sale' and 'unit price' in this case? If the cost of goods sold or variable cost is 55% of the sale price, calculate the 'unit cost' and 'gross margin' per unit of sale.

WEEK	NUMBER OF CUSTOMERS	AVERAGE AMOUNT BILLED (PER CUSTOMER)
1	20	200
2	30	220
3	25	180
4	45	260
5	40	290

Ans) (A) Break Even Point = Fixed Expenses / Gross Margin

Gross Margin = Selling Price per unit – Variable Cost per unit

TYPE OF CHAIR	UNIT SP	UNIT VC	GROSS MARGIN	FIXED EXPENSES	BEP CALCULATION	BEP (units)
SMALL	5,000	2,000	3,000	30,000	30000/3000	10
MEDIUM	8,000	3,000	5,000	25,000	25000/5000	5
LARGE	12,000	7,000	5,000	60,000	60000/5000	12
EXECUTIVE	20,000	12,000	8,000	1,60,000	160000/8000	20

OR

(B)

WEEK	NUMBER OF CUSTOMERS	AVERAGE AMOUNT BILLED (PER CUSTOMER)	TOTAL BILLED AMOUNT
1	20	200	4,000
2	30	220	6,600
3	25	180	4,500
4	45	260	11,700
5	40	290	11,600
TOTAL	160		38,400

The unit of sale is the number of customers, and the unit price is the average billing per customer.

Unit Price = Total billed amount / No. of customers = 38400 / 160 = Rs. 240

Unit Cost = 240 x 55/100 = Rs. 132

Gross Margin = Unit Price – Unit Cost = 240 – 132 = Rs. 108

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