Paper 20C - ENTREPRENEURSHIP AND START-UP

SUGGESTED ANSWERS

SECTION – A

1. (a)

(i) (C)
(ii) (B)
(iii) (D)
(iv) (A)
(v) (D)
(vi) (C)
(vii) (C)
(viii) (B)
(ix) (D)
(x) (C)

1. (b)

(xi) (C)
(xii) (B)
(xiii) (D)
(xiv) (B)
(xv) (A)

SECTION – B

2. (a)

The psychological traits that a successful entrepreneur should possess are as follows:

(i) Dream Big in Small Input :
This is the most important quality for becoming a successful entrepreneur. People should always dream and use their energy to turn them into reality. If you dream to be a successful entrepreneur, you can become a successful entrepreneur.

(ii) Delegate the Work to Others :
It's not important to do everything on your own and having someone with you to share your workload and dreams is good. Delegation of tasks gives mental relaxation which in turn doubles your output. Distributing and sharing the workload with others helps to achieve your goal and it brings self- confidence within the team. This trait is considered essential for becoming a great entrepreneur.

(iii) Set High Standard Goals and Deliver :
Always set goals higher than your expectations and put all your energy into it to achieve it. If you get an order to complete a task under a short timeline, don't panic, but accept the order.

(iv) Take a Practical Approach :
Never underestimate your business. Be practical because you have bills to pay and mouths to feed. So, always be ready with a plan B. Build alternate sources of income that can sustain you until the business takes off.

(v) Map it out :
Before making any big investment, map out the project's blueprint and cover every possible point within the strategy. All aspects of the startup plan should be discussed prior and the pro and cons of the venture ought to be laid down clearly.

(vi) Treat and Raise your Business like a Child :
When your child is growing, you love and nourish them to the fullest. But once they enter into adulthood, you set them free to explore the world. Treat your business in the same way.

(vii) Fear Equals Downfall :
Never let your fears impact your life decisions. Rule your fears and bend them according to your will. Empower and overcome fear to become an entrepreneur.

(viii) Gratitude is your Attitude :
It's doesn't matter how successful your venture is or how much money you made this year. A successful person should always stay humble and grounded. A person's attitude should be full of gratitude, and one should never forget his roots since success is temporary and behavior is permanent.

(ix) Get Investors :

The number one rule of the business is never using your own money. Always find investors who are willing to work with you and churn profits out of their investment, for you as well as them.

(x) Never Lose Composure :

There comes a time when you can't help but lose your temper completely. Though it's normal, you need to minimize such occurrences. Keep calm! Business and anger are like nitrogen and hydrogen, never mix them.

(xi) Have Fun :

Enjoy your work and don't treat it as a burden. If you start to think of it as a burden and drudge to work, then one day it will become difficult for you to continue.

(xii) Fall Every Day:

Don't be afraid to fall. If you do, wake up with renewed energy the next day and be ready to fall again. In the end, failures will succumb to you.

(xiii) Stay Creative :

An entrepreneur is no less than an artist and always stays inspired. You should nurture and improve creativity through different methods like drawing, music, reading, walking, etc.

2. (b)

(i) IT with different futures and capabilities could have been shown a remarkable flexibility in the field of entrepreneurship. These features increase the efficiency of this technology in entrepreneurial and job creation.

(i) Increasing speed:

Fast calculation and processing of data and transfer them immediately, reducing labor time and therefore increase productivity.

(ii) Increased accuracy:

in the human-based businesses the accuracy of the work is varied, while this technology provides high and constant accuracy.

(iii) Reducing the physical size of data repositories:

With the development of this technology and applying it there is no longer necessary to carry and store large volumes of specialized reference books. Can easily be stored information of several books in each compact disc or get necessary resources through computer networks.

(iv) Elimination of administrative corruption:

Using this technology increase the transparency and eliminate many intermediaries. These two key advantages lead to the elimination of some administrative corruption especially at low levels.

(ii) The reasons for developing deep tech start-ups are as follows:

(i) To resolve real-life problems and challenges when it comes to food, energy, water, and national security.

(ii) Deep tech companies can create job opportunities for engineers and stop the brain drain.

(iii) Data localization can be possible by deep tech companies. Data sovereignty can be obtained and challenges such as data breaches and online attacks can be minimized.

3. (a)

The entrepreneurial ecosystem is about the environment in which entrepreneurship takes place, the role of individual and inter-dependent factors that enable or constrain the entrepreneurial activity. The entrepreneurial ecosystem is a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship. The complex set of elements of the entrepreneurial ecosystem help in nurturing entrepreneurship in a region. The entrepreneurial ecosystems approach emphasizes social context in terms of its role in making entrepreneurship encouraging or discouraging. Innovative aspirations and achievements of individual entrepreneurs depend on how ingrained entrepreneurial culture is in the society.

Nine principles of entrepreneurial ecosystem suggested by Isenberg are as under:

(i) Stop emulating Silicon Valley;

(ii) Shape the ecosystem around local conditions;

(iii) Engage the private sector from the start;

(iv) Stress the roots of new ventures;

(v) Don't over engineer clusters; help them grow organically. Second, they emphasize ambitious entrepreneurship:

(vi) Favor the high potentials;

(vii) Get a big win on the board. And third, focus on institutions:

(viii) Tackle cultural change head-on;

(ix) Reform legal, bureaucratic, and regulatory frameworks.

3. (b)

(i)

Estimated Working Capital Requirement

(₹ in Thousand)

Current Assets in terms of Cash Costs	
Debtors : Domestic Sales	1600
Export Sales	2400
Prepaid Sales promotion expenses	375
Stock of Raw Materials	750
Stock of finished goods	2400
Cash at Bank and in Hand	1750
Total Current Assets	9275
Current Liabilities in terms of Cash Costs	
Creditor for :	
Material	1500
Wages	300
Manufacturing expenses	900
Administrative expenses	150
Income Tax Payable	562.50
Total Current Liabilities	3412.50
Net Current Assets	5862.50
Add. : 10 % Margin for Contingencies	586.25
Required Working Capital	6448.75

(ii) Analysis of Permissible Bank Borrowing:

	(₹ in Thousand)
Current Assets (CA)	
Stock of Material (used) (2 Months)	1500
Finished Stock	3600
Receivable debtors Stock	3600
Total Current Assets (CA)	8700
Less :Trade Creditors (2 Months)	1500
Working Capital as per Bank	7200
Less : Margin Money (25% of CA)	2175
Permissible Bank Borrowing	5025

4. (a)

The need and objectives of the project report are as follows:

(i) Purpose :

The first is the project report is like a road map. It describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there.

(ii) Target Market :

While making a new business project report it is significant to keep in mind the target market.

(iii) Market Approach :

The report should describe the economic trends, clients and players. It should also explain on how to perform the chosen approach, the marketing of its products and functional competence.

(iv) Market Rivalry :

Concentrate on strategies which present you differently from your competitors, market products differently using various channels, etc.

(v) Selecting Best Investment Proposal :

Project report is an efficient tool for analyzing the status of any investment proposal. It shows the expected profitability and risk associated with the project and this way helps in choosing the best option.

(vi) Approval of Project :

It is essential for registration or approval purposes of the proposed project. Different authorities like District industries center, Directorate of industries, Government Departments, etc. require project reports for giving approval.

(vii) Tracking :

The Project report assists in tracking the current activities of the project. It helps team members and other stakeholders to check the project progress from time to time.

(viii) Visibility :

Another important advantage of having the project report is that it gives full insight into the project. It gives a clear description of activities to be undertaken and avoids any confusion or disorder.

(ix) Risk Identification :

Identification of risk is a significant step for the completion of every project. The project report enables in spotting the risk early and taking all corrective actions timely.

(x) Cost Management :

Project report helps in managing the expenses through regular reporting of all activities. It sets the standard cost of every operation at advance and helps in finding out any deviation in these costs through tracking of the project.

(xi) Financial Assistance :

It is an important tool for available financial assistance from financial institutions or fund providers. The project report enables financial institutions in judging the profitability of the proposed project and then takes the decision accordingly for approving the funds.

(xii) Test Business Soundness :

Project report helps in testing the profitability and soundness of the proposed project. It tells the total estimated costs, possible income and risk associated with any proposal.

4. (b)

The various Dis-advantages of Crowd-funding for Entrepreneurs are assessed as under:

(i) Inflexible :

One downside to Crowd-funding is the inability to make alterations to a campaign once it’s launched. This means the description, terms and conditions, and allotted completion time cannot be changed.

(ii) False and Negative Results :

Another common disadvantage of crowd funded campaigns is conclusions based on false-negative results. This is particularly true when looking at idea validation.

(iii) Time Consuming :

Many entrepreneurs fail to appreciate the time, effort, and planning a successful Crowd funding campaign requires.

(iv) Administration and Accounting :

This is more of a warning than a negative, but entrepreneurs need to consider the administrative and accounting challenges they will face.

(v) Idea Theft :

Arguably the biggest drawback of publicly crowd funded campaigns is idea theft. This is very common picture in the periphery of startup business.

(vi) Difficult for Non-Consumer Projects :

Currently, Crowd funding campaigns are largely successful in the B2C (Business-to-Consumer) market place. It's not common to see the same success for B2B (business-to-business) ventures.

(vii) Lack of Transparency :

Not everybody is keen on opening up financial and other sensitive information to the public. However, if an entrepreneur is looking to raise funding through one of these platforms, investors are going to need access to this material to make informed decisions.

(viii) Access to Funds :

One of the drawbacks to Crowd funding campaigns is that you have to wait until the allotted time is up before receiving the funds. Depending on the duration of the campaign this could be anywhere between 60-90 days, so definitely worth taking into consideration.

5. (a)

The 5 Stage process of Design Thinking are enumerated below:

(i) Empathize :

The first stage of the design process is to understand the perspective of the target audience / customer / consumer to identify and address the problem at hand. To do this, design thinkers are encouraged to cast aside all assumptions (because assumptions can stifle innovation) about the problem, the consumers, and the world at Large.

(ii) Define :

Putting together all the information gathered in the first stage, the next step is to define the problem statement clearly. The resulting problem statement should be captured in human-centered terms rather than focused on business goals.

(iii) Ideate :

During the third stage of the design thinking process, designers are ready to generate ideas. You've grown to understand your users and their needs in the Empathize stage, and you've analyzed your observations in the Define stage to create a user centric problem statement.

(iv) Prototype :

The design team will now produce several inexpensive, scaled down versions of the product (or specific features found within the product) to investigate the key solutions generated in the ideation phase. These prototypes can be shared and tested within the team itself.

(v) Test :

Designers or evaluators rigorously test the complete product using the best solutions identified in the Prototype stage. This is the final stage of the five-stage model; however, in an iterative process such as design thinking, the results generated are often used to redefine one or more further problems.

5. (b)

While a lot of time is devoted to product development, only a few companies think about how consumers will perceive the product when it is already in the market. Marketers should pay attention to what their customers think. The key strategies of product positioning are mentioned below:

(i) Characteristics-based positioning:

Brands give certain characteristics to their products that aim at creating associations. It has done to make consumers choose based on brand image and product characteristics. Let us take the automobile industry, for example. A person who worries about safety will probably choose Volvo because of the brand's positioning. At the same time, another customer who pays attention to reliability would prefer Toyota.

(ii) Pricing-based positioning:

This strategy involves associating your company with competitive pricing. Brands often position themselves as those that offer products or services at the lowest price. Let us take supermarkets, for example. They can afford to provide customers with products for lower prices because of the lower costs they pay for shipping and distribution, huge turnover, and a large procurement of goods. As a result, many consumers already know the supermarkets with attractive prices and choose them without considering other options.

(iii) Use or application-based positioning:

Companies can also position themselves by associating with a certain use or application. People who adhere to a healthy lifestyle create a great demand for products that help increase performance in the gym. Hence, many businesses offer nutritional supplements. These brands sell supplements that are high in calories, vitamins, and minerals.

(iv) Quality or prestige-based positioning:

The brands we are talking about now don't concentrate on their price point; they focus on their prestige or high quality instead. Sometimes, it's the reputation that makes a brand attract customers. Let's take Rolex, for example. This famous watch brand is associated with achievement and excellence in sport and is popular among powerful and wealthy people.

(v) Competitor-based positioning:

The strategy involves using competitors' alternatives to differentiate products and highlight their advantages. It helps brands distinguish their products and show their uniqueness.

6. (a)

Tools for scaling up of any organisation may be summarized in the following manner:

(i) Set Realistic Goals :

Any department of any company has certain goals, but the goals will make the scale efficiently. By setting certain goals for each team and department in the company, the entrepreneur should prepare growth possible. However, it is important that these goals actually prepare the company for answering demands as well.

(ii) Adopt Strategies and Technologies :

Without a solid sales or marketing strategy, growth is a mete dream. However, it is important to adopt the right strategies as well. To scale efficiently, the decided strategies must be fitting to the size and the industry of the business. This is also true for the technologies that can use to optimize workflow.

(iii) Monitor Growth :

All businesses monitor growth but monitoring it in terms of scalability is the goal here. By evaluating the data, analyze whether the business is scalable, which is the most important factor for the company to decide the next step.

(iv) Defined Work for Even one :

Ambiguous titles and job definitions make even thing harder on the part of the employee and the employer likewise. What every company needs to do, is to define specialized jobs. So, it is important that companies have "specialists" for the necessary posts.

(v) Get Digital wherever one can :

Technology is the lifeblood of scalability. Thus, it is important not only to get certain tech into the company but also to use it wherever you can. But the "get digital" strategy is not just about business tools. It means that you actually do turn physical things into digital.

(vi) Focus on Strengths and Weaknesses:

It is important that a business shows effort to better its core strengths, however, turning a blind eye on the weaknesses is one big misstep. The best thing to do here is to focus on the strengths and the weaknesses of the company likewise.

(vii) Choose the Path :

At this very first base, one must choose wisely, and decide your strategies accordingly because one may end up growing too much all of a sudden and this means efficient scaling is harder. Instead, what you need to do is lay a foundation that will steadily lead the company to grow while also making sure scaling is possible.

6. (b)

For a Startup, an Audit may be required in several situations, some of which are listed below:

(i) Lenders/ Investors:

In respect to Lenders and Investors, there can be two main circumstances when a financial audit may be required, which are explained as follows:

- **For Existing Lenders and Investors:**
  A financial audit provides a comprehensive view of company's business and current state of affairs. Entities investing in a business may call for its Audit to receive an overview of company's financial records. An audit provides additional assurance to management's assertions regarding the financial situation of the business.
- **For interested Lenders and Investors :**
  When an organization is properly audited. Lenders and Investors who are interested in investing in the business get an overview. Additionally, they may call for an Audit to know the company's pre-revenue circumstances and to accumulate possibilities of Gains and Losses.

(ii) Pre IPO (Initial Public Offering) :

When an organization desires to list its small business as a public company to sell company's shares to the public in general, in such situation an Audit may be required. As before public offering it is important to List Company's financial state with verified records.

(iii) Selling-off :

There may be circumstances in which an organization may want to sell of their business. In such situation, having properly audited records will help the buyers in analyzing the risk factors, if any, in acquiring the business.

(iv) Compulsory Audit:

In case of a Limited liability Partnership, if the turnover exceeds ₹4000000/- or the contribution exceeds ₹ 2500000/- in any year, an Audit is compulsory. While on the other hand, for a Private Company, the accounts have to be compulsorily audited every financial year. A Private Limited Company has to appoint an Auditor within 30 days of its incorporation. The shareholders need to be informed if an Auditor is not appointed within30 days of its incorporation. They require to appoint an Auditor within 90 days of its incorporation.

7. (a)

Forecasting is a technique of using history to make predictions about trends in business. It is the estimation of the future situation under some given conditions. Business uses the method of forecasting to allocate budget and plan for future expenses based on the predicted demand. Using past data as inputs, forecasting is a process that produces accurate predictions of the future course of trends.

Following are the forecasting techniques used in a business:

(i) Qualitative Technique:

Qualitative forecasting, sometimes referred to as the judging technique, provides subjective outcomes since it relies on the experts' or forecasters' individual perceptions. Forecasts are frequently skewed because they are non-mathematical processes that rely more on the knowledge, experience, and intuition of the expert than they do on evidence. When creating projections with a specific focus, qualitative forecasting models are helpful. These models are largely reliant on expert judgments and are most effective in the near term. Interviews, site visits, market research, polls, and surveys that use the Delphi technique are examples of qualitative forecasting models which relies on aggregated expert opinions.

(ii) Time Series Analysis :

A time series analysis examines historical data and the historical interactions between different factors. These statistical associations are then projected into the future to provide pre-dictions along with confidence intervals to determine the possibility of the actual events falling within that scope. The success of any forecasting technique is not guaranteed. A method called the Box-Jenkins Model is used to anticipate data ranges using inputs from a certain time series. Moving averages, differencing, and auto regression are used to forecast data. Rescaled range analysis is a different technique that may be used to identify and quantify the persistence, unpredictability, or mean reversion in time series data. Time series projections frequently entail trend analysis, cyclical fluctuation analysis, and seasonality-related difficulties.

(iii) Causal Methods:

When there is a lot of data that has been analyzed to examine the links between the item being forecasted and other, related factors, causal models are frequently utilized. Socioeconomic influences, economic pressures, and competitive, pertinent enterprises might all be among these variables. The causal approach, which is one of the more advanced forecasting strategies, converts causal linkages into numerical data. This approach often takes into account additional factors including time series analysis, market surveys, and inventory.

7. (b)

A family run business is the one where more than half of the shares are controlled by the members of the family. In this type of business, family members put in effort and money move from family to business and vice versa. Most of the key responsibilities are handled by the family members during the early growth phase of the enterprise.

Family businesses are still thriving in today's competitive economy. The following are some of the advantages of family run business:

(i) Stability:

Family businesses are ideal in nature as they are loyal to the principles of the founder and top leadership, which results in overall stability within the organization. Leaders usually stay in the position for many years, until a life event such as illness, retirement, or death results in change.

(ii) Commitment:

There is a greater sense of commitment and accountability by all family members due to involvement of reputation stake of the entire family. This level of commitment is almost impossible in non-family businesses. It is natural that all family members demonstrate and share a level of commitment to the firm since the core of any family business is a shared business vision and identity.

(iii) Leadership :

In family run business, most of the time leadership is centred to the senior most people in the family. So, each family members show faith and loyalty in the top leadership.

(iv) Trust:

Since all family members know each other and related by blood relations, there is feeling of trust in each other.

(v) Flexibility:

In family run business, all family members can take any role which the business heeds. You won't hear, "Sorry, this is not my job" in a family business. They can take several different tasks outside of their formal role in order to ensure the success of the company.

(vi) Decreased Cost :

All family members contributing land, labour, capital and entrepreneurship means there will less cost of running and managing business needs. In hard times just like COVID-19, family members even can take a pay cut or work without any pay.

8.

(i) The main sustainability challenges faced by MJL includes Reducing greenhouse gas emission effect. Reducing waste and pollution. Conserving natural resources and Promoting social responsibility in addition to this MJL will face following sustainability challenges.

- Economic challenges
- Transport
- Transparency
- Climate Change
- Environmental sustainability
- Supply Chain Management

(ii) MJL can overcome these challenges by creating Sustainability Culture, Providing training and education to employees, Collaborating with stakeholders and Leveraging technology and innovation. Evaluate climate risks linked to unsustainable alternatives and the potential for innovation through the incorporation of sustainable practices. Embrace a collaborative strategy by involving industry partners and stakeholders to exchange knowledge and resources.

(iii) It is advisable for MJL to adopt the following practices in their work place all over the world.

A code of ethics is developed by many organisations, and it frequently contains general recommendations for moral conduct like doing the right thing or being fair. Additionally, it could make reference to a particular business protocol a company's code of ethics should be developed and made available to the public. To be held to such standards, the company's vision, values, and goal should be clearly expressed and accessible to both employees and customers. A code of ethics fosters open and honest communication inside a company and increases trust and credibility.

(iv) A company's ethical foundation affects how it is viewed by both consumers and competitors. Best practices are a set of rules, moral principles, or concepts that, in a particular business environment, indicate the most effective or responsible course of action. Best practices can also be utilised as a baseline so that different companies can exchange useful advice. Consider a company that is renowned for having the best product distribution system available.

Business ethics strengthen the law. Businesses construct business ethics to encourage moral behaviour among their workforce and win over important constituencies like customers and investors. Corporate ethics programmes are now widespread, although the quality varies.