

SUGGESTED ANSWERS

SECTION – A

1. (a)

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

1. (b)

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

SECTION – B

2. (a)

Seven entrepreneurial disciplines of a Successful entrepreneur are as follows:

(i) Expect frustration:

When disciplined people are challenged or frustrated, their problem-solving skills are called to the forefront and they stay open and committed. They are willing to be flexible in their approach until they develop the wisdom necessary to succeed. These times of uncertainty challenge disciplined people on all levels and end up determining the strength of their character.

(ii) Hard working:

If we want to succeed, we have to be willing to work harder than anyone else. Disciplined people are not satisfied living an average life. They crave testing the edges of who they are and what they can become. They do not mind working extra hours or going to the extra mile if it means they learn something valuable that gets them more quickly and efficiently to the result of their desired outcome.

(iii) Healthy:

Disciplined people understand that to thrive in life or business they first and foremost need to be healthy. For this reason, they do not just focus on being disciplined in their career environment. They commit to eating healthy, they dedicate themselves to an active exercise routine, and make sure to get enough sleep.

(iv) Mindset:

Disciplined people are careful about the thoughts they allow to occupy their mind. They make the conscious choice to think only in terms of success. The attitude they keep is positive. Success isn't going to always come easily; therefore, their failures are viewed as promotional opportunities which guide them toward their next more successful direction.

(v) Patient:

To be disciplined one must be patient. Success is not event, but a process. Disciplined people understand that patience is their greatest virtue. It means working hard while they wait and trusting that what is meant to be theirs will come their way.

(vi) Willing:

Disciplined people are willing. They are willing to listen. They are willing to learn. They are willing to work. They are willing to wait. They are willing to seek guidance. They are willing to change their minds. They are willing to change their ways. They are willing to give their time, their energy and their commitment to the process.

(vii) Punctual:

Disciplined people value their time and the time of others. They arrive early to meetings and are fully prepared when their customers come visit with them. Disciplined people make it a habit to keep their meetings, goals and deadlines on a calendar and do all they can to meet their goals and objectives in a timely manner.

(viii) Organized:

To be successful disciplined people have an organized system they operate from. They tend to keep copious notes, make lists, have calendars, reminders set on their phones and a daily schedule of events they organize their efforts around. The more organized disciplined people are, the less chaotic their daily events are experienced.

(ix) Accountable:

Disciplined people refrain from blaming others when things don't work in their favor. They take accountability for their end of a failure or misunderstanding. If something doesn't work out, they analyze what and where things went wrong and take measures to improve going forward.

(x) Resourceful:

An important key to being disciplined is not to be rigid, but resourceful. Disciplined people are not afraid to ask for guidance when necessary or to get outside of their comfort zone to establish new patterns of behavior that will help them going forward.

2. (b)

Marketers are now able to filter their audience and reach out to a targeted segment with the new age marketing rather than the huge spill overs of the traditional ways. The ways are discussed below:

(i) A proper understanding of customers and their needs:

This is an important marketing concept that many businesses often ignore. An entrepreneur can address the needs of their customers if they don't know them in the first place. The first step in any marketing strategy is to know your customers well. It is only by understanding your customers that you will be able to address their needs and offer them the best products and services. Knowledge about your customers is your greatest asset when it comes to marketing.

(ii) Building a strong online presence:

Technology has transformed how businesses implement their marketing strategies. In the past, businesses largely relied on print and electronic media to advertise their goods and services. But with the advent of the internet, social media platforms such as Facebook and Twitter have proved to be the most effective marketing tools.

(iii) Providing value:

The basic principle for every business should be to offer value to its customers. As long as you are putting their interest first, they will always depend on you. Your marketing strategy should therefore be tailor-made to the needs of your customers. Marketing is about giving the public a sneak preview of what you are offering.

(iv) Social media marketing:

When considering a marketing strategy, you would want to reach as many people as possible. There's no point in advertising on platforms that have fewer people. Social media platforms command a huge following and you should take advantage of that by being active on every social media platform.

(v) Multi-channel marketing:

If you want to grab the attention of customers, then you need to get right in front of them. To achieve that and shine from the crowd, you will have to market via multiple channels.

3. (a)

There is a close and continuous interaction between business and its environment." In this context, micro-economic conditions, which relate to individual markets, consumers, costs, and competitors plays a vital role in shaping the entrepreneurship. These influences are as follows:

(i) Market Demand and Consumer Preferences

Entrepreneurs analyse consumer needs and purchasing behavior to create products or services that meet specific market demands. High demand encourages entrepreneurship, whereas falling demand may deter entry.

(ii) Price Mechanism and Profit Margins

Microeconomic factors such as product pricing, cost structure, and consumer price sensitivity influence the entrepreneur's decision-making. A favorable pricing strategy helps the entrepreneur to maintain competitiveness and sustain profitability.

(iii) Availability and Cost of Inputs

Entrepreneurial activity is largely influenced by the availability and price of raw materials, labour, and utilities. If inputs are readily available at competitive prices, it encourages more startups in that sector.

(iv) Competition and Market Structure

Microeconomic analysis enables entrepreneurs to understand the type of market they are entering like perfect competition, monopoly, oligopoly, etc. This understanding shapes their approaches to product differentiation, pricing, and promotional strategies.

(v) Supplier and Buyer Power (Bargaining Power)

Entrepreneurs must evaluate the strength of suppliers and customers within in the value chain. In markets where buyers have high bargaining power, entrepreneurs must innovate and enhance value to remain viable.

(vi) Cost of Capital and Financial Access at Firm-Level

Although finance access can be considered macro, at the micro level, the cost of acquiring loans, angel investment terms, and internal resource allocation directly have a direct impact on a startup's success and growth.

(vii) Technological Trends at the Industry Level

Microeconomic conditions also encompass specific technological developments within an industry that allow entrepreneurs to improve efficiency, reduce costs, and create product innovation to gain a competitive edge.

3. (b)

Evaluation of Cost of Sales :(Amount in Rupees)		
Production (units)		40,000
Sales (units)		35,000
Sales Revenue @ ₹ 80 per unit (A)		<u>28,00,000</u>
Cost of Production:		
Materials @ ₹ 20 per unit		8,00,000
Direct Labour @ ₹ 15 per unit		6,00,000
Manufacturing Overheads:		
Variable [40000 x 15]	6,00,000	
Fixed [60000 x 10]	<u>6,00,000</u>	12,00,000
Cost of goods available for sale		26,00,000
[For 40000 units]		
Less: Closing Stock at average cost		3,25,000
[2600000 x 5000/40000]		
Cost of goods sold [of 35000 units]		22,75,000
Add: Selling & Distribution Overheads:		
Variable [35000 x 3]	1,05,000	
Fixed [60000x 1]	<u>60,000</u>	<u>1,65,000</u>
Cost of Sales (B)		<u>24,40,000</u>
Profit [A – B]		<u>3,60,000</u>

Assessment of Maximum Permissible Bank Borrowings:	
	₹
Stock of Materials (2½ Months) (800000 x 2.5) / 12	1,66,667
Finished Goods (2 Months) (2600000 x 2) / 12	4,33,333
Receivable (Debtors) (3 Months) (2440000 x 3) / 12	6,10,000
Total Current Assets	12,10,000
Less : Current Liabilities	
Payable (Trade Creditors)	2,08,333
Working Capital as per Bank	10,01,667
Less : Margin Money (25 % of CA)	3,02,500
Permissible Bank Borrowings	6,99,167

	(₹)
Creditors for Supply of Materials	
Material Consumed during the year	8,00,000
Add Closing stock of Materials $(800000 \times 3)/12$	2,00,000
Total purchase during the year :	10,00,000
Creditors based on $2\frac{1}{2}$ months period $(1000000 \times 2.50) / 12$	2,08,333
Finished Goods (2 months) Cost of Goods available for Sale (for 40000 units) = ₹ 2600000 $(2600000 \times 2) / 12$	4,33,333

4. (a)

Bootstrapping is the process of building a business from scratch without attracting investment or with minimal external capital. It is a way to finance small businesses by purchasing and using resources at the owner's expense, without sharing equity or borrowing huge sums of money from banks.

A business that uses bootstrapping is characterized by a high dependence on internal sources of financing, credit cards, mortgages, and loans. In other words, bootstrapping is characterized by limited sources of financing.

The advantages of bootstrapping are as follows:

- (i) The owner(s) maintains complete control of the company, without outside influences from investors, for example.
- (ii) Relying on existing resources, without loans, reduces the need to outlay cash to pay back a loan.
- (iii) Carefully managing money from the outset creates smart spending habits.
- (iv) The entrepreneur gets a wealth of experience while risking his own money only. It means that if the business fails, he will not be forced to pay off loans or other borrowed funds. If the project is successful, the business owner will save capital and will be able to attract investors. So, the business will grow up to a new level.
- (v) The “bootstrapper” reserves the right to all developments, as well as ideas that were used during the development of the business.
- (vi) The lack of initial funding makes entrepreneurs look for unusual ways to solve problems, create new offers on the market, and show creative thinking.
- (vii) Independence from investor opinions. An entrepreneur can make all the decisions independently, so he is able to create something unique, realize a dream, test strength, and be independent of the investors' instructions.
- (viii) Attracting external funding is challenging and can be a very stressful and time-consuming task. Bootstrapping allows an entrepreneur to fully focus on the key aspects of the business, such as sales, product development, etc.
- (ix) Creating the financial foundations of business by an entrepreneur is a huge attraction for future investments. Investors, such as private individuals, special funds, or venture capital firms, are much more confident in financing businesses that are already secured and have demonstrated the promises and commitment of the owners.
- (x) Providing value to people. Business is all about delivering a particular value through a product or service.

4. (b)

There are several different analytical methods and techniques data analysts can use to process data and extract information. Some of the most popular methods and techniques are as under:

(i) Regression Analysis:

It entails analyzing the relationship between dependent variables to determine how a change in one may affect the change in another.

(ii) Factor Analysis:

It takes a large data set and shrinking it to a smaller data set. The goal of this technique is to attempt to discover hidden trends that would otherwise have been more difficult to see.

(iii) Cohort Analysis:

It is the process of breaking a data set into groups of similar data, often broken into a customer demographic. This allows data analysts and other users of data analytics to further dive into the numbers relating to a specific subset of data.

(iv) Monte Carlo Simulations Model:

Often used for risk mitigation and loss prevention, these simulations incorporate multiple values and variables and often have greater forecasting capabilities than other data analytics approaches.

(v) Time Series Analysis:

It tracks data over time and solidifies the relationship between the value of a data point and the occurrence of the data point. This data analysis technique is usually used to spot cyclical trends or to project financial forecasts.

5. (a)

Five Stages of Successful Innovation are Summarized as Follows:

Stage - 1:

Idea Generation and Mobilization

The generation stage is the starting line for new ideas. Successful idea generation should be fuelled both by the pressure to compete and by the freedom to explore. IDEO, the product development and branding company based in Palo Alto, California, is a good example of an organization that encourages successful idea generation by finding a balance between playfulness and need.

Once a new idea is generated, it passes on to the mobilization stage, wherein the idea travels to a different physical or logical location. Since most inventors aren't also marketers, a new idea often needs someone other than its originator to move it along. This stage is vitally important to the progression of a new idea and skipping it can delay or even sabotage the innovation process.

Stage – 2:

Advocacy and Screening

Advocacy and screening help to evaluate the feasibility of a business idea with its potential problems and benefits. Hence, a decision can be made about an idea's future. Companies looking to develop a culture can establish a few best practices.

For instance, employees should have plenty of avenues to receive advocacy and feedback. Also, organizations must understand the difficulties involved in evaluating truly innovative ideas. Also, organizations need to build transparent evaluation and screening protocols.

Stage - 3:

Experimentation

The experimentation stage tests the sustainability of ideas for an organization at a specific time. Experimentation generates new ideas with the information that is gathered on the results and feasibility of the original idea. For instance, when Amazon tested its grocery delivery service in certain Seattle suburbs. After this, Amazon Fresh expanded to Los Angeles, San Diego, and New York City.

Stage - 4:

Commercialization

Commercialization develops market value for an idea by focusing on its impact. An important part is establishing the specifications of any given idea. Commercialization is the stage that involves the change of focus developments to persuasion. After the idea is clarified and a business plan is developed, it will be ready for diffusion and implementation.

Stage - 5:

Diffusion and Implementation

Diffusion is the company-wide acceptance of an innovative idea, and implementation sets up everything needed to develop the innovation. Diffusion and implementation allow the organization to determine the next set of needs for customers. Receiving feedback, indicators for success metrics, and other benchmarks enable the organization to stimulate the innovation process.

5. (b)

Market traction is the quantitative evidence of market demand. The various ways of generating market traction are aligned as follows:

(i) Networking:

The activity is effective in driving engagement at the start of the entrepreneurial journey. You can market your business to your personal connections by word of mouth. Personal networks can help you get angel investors, top talent, customers, equipment, or partners. Mentors can provide answers or solutions to business challenges that you will encounter along the journey. Organize meetings with potential clients to discuss how your business can add value to their lives. You can attend conferences to see what other industry players are up to. Therefore, you need to be the voice of your company.

(ii) Social Media Marketing:

It is one of the costless and easy methods of marketing the startup. Many people are using social media to communicate or interact with family and friends. Thus, these platforms expose your business to many potential customers. However, it is very easy to fail on Facebook, LinkedIn, Twitter, and Instagram if you don't have a marketing strategy. Therefore, ensure that you have enough high-value content to keep your audience informed about your business and products before signing up.

(iii) Website:

Create a site for your business and generate relevant content to what people are searching for in your target market. Ensure that the content is optimized so that the search engine can serve it to users seeking information or product you're offering. Let your content be useful so that potential customers can follow the link back to the company website, as well as share with others. Further, make your website and content user-friendly and accessible via mobile gadgets. It should be fast loading, and the domain should get back links from other high authority sources.

(iv) Email Campaigns:

The use of emails in marketing is also effective. Actually, social media platforms came in recently, but emails have always been around. The platform can help you generate traffic since you communicate with customers directly. Use the platform to update your customers on how the business is doing and ask them to provide feedback about your customer service and products. You can also ask them what you can do better to make them happy.

(v) **Bottom Line:**

It is not easy to generate traction in a startup life; however, it is an important phase that is considered by investors, founders, and other stakeholders. On the other hand, the stage leads to the growth of your business, which is an excellent indicator of your company's value. Therefore, use methods such as networking, social media, website, and emails to market your startup. These avenues will help you to turn the startup into an iconic brand.

6. (a)

Five critical steps are required to follow of scaling start-ups which are as follows:

(i) **Evaluate and Plan:**

Take a hard look inside of the business to see whether an entrepreneur is ready for growth. One cannot know what to do differently unless one take stock of where your business stands today. Strategize the need to do to increase sales. The best planning is to start with a detailed sales growth forecast, broken down by number of new customers, orders, and revenue you want to generate. Include a spreadsheet that breaks the numbers down by month.

(ii) **Find the Money:**

Scaling a business does not come free. Growth plan may call for hiring staff, deploying new technology, adding equipment and facilities, and creating reporting systems to measure and manage results. How will one can find the money to invest for growth? If you have a huge proponent of bootstrapping, but it typically takes years to grow through bootstrapping alone.

(iii) **Secure the Sales:**

Scaling the business obviously assumes sell will be more. The following questions may ask:

- A sufficient lead flow to generate the desired number of leads?
- Marketing systems to track and manage leads?
- Enough sales representatives to follow up and close leads?
- A robust system to manage sales orders?
- A billing system and a receivables function to follow up to ensure invoices are collected timely?

(iv) **Invest in Technology:**

Technology makes it easier and less expensive to scale a business. One can gain huge economies of scale and more throughput, with less labor, if you invest wisely in technology. Automation can help you run your business at a lower cost and more efficiently by minimizing manual work.

Systems integration is a prime area for improvement in most businesses. Companies today do not run off of a single system, they may have a dozen or more systems. If those systems don't work together, they create silos, which in turn multiply communication and management problems as your company grows.

(v) **Find Staff or Strategically Outsource:**

Last but certainly not least, are the hands needed to carry out the work. Technology gives huge leverage, but at the end of the day, you still need people. We have to find out the answers of the following questions:

- Do you have enough customer service staff? Look at industry benchmarks to determine a rule of thumb for how many customers one service rep can be expected to handle.
- What about the people who are responsible for your manufacturing, inventory, and delivery of products or services?
- How many are typical for your industry per customer, and how many will you need?
- How do you find qualified help quickly? Recruiting and hiring systems are important, as are benefits and payroll.

6. (b):

Financial risk is a broad category for a few different types of risk as there is more than one way a business or an investment can lose money. Examples of financial risks are market risk, credit risk, liquidity risk, and operational risk.

The financial risk mitigating strategies are as follows:

(i) Develop a financial risk management plan:

Financial risk management is a strategy that allows to understand and plan for financial risks that may affect the business. One cannot completely remove risk but can research and plan for potential situations the business might face and use this information to decide which risks are willing to take, which can be mitigated, and which are preferring to avoid.

(ii) Diversification of Investments:

Diversification is a critically prudent and important financial planning strategy. And although it will not eliminate losses in a severe downturn, it will reduce your risk of financial annihilation. Maintaining a well-diversified balanced investment portfolio helps minimize risk by spreading out your investments across multiple classes; think of it as a form of free investor's insurance that protects from catastrophic losses.

(iii) Exit strategy for every investment:

An exit strategy in place whenever one takes a position on a stock, bond or any other investment. The best way to do that is by establishing predefined selling points — for both a profit and a loss.

(iv) Purchase insurance:

Insurance is hands down the best way to limit losses such as life insurance, disability insurance, professional insurance, completed operations insurance, or others.

(v) Create a cash management strategy:

Cash is highly imperative to any business. Running out of money means the permanent destruction of a business. Therefore, establishing a solid cash management strategy is essential. Efficient cash management can not only considerably reduce risk but can also streamline processes and eliminate downtime. It gives faster access to cash and resourceful business data, allows for tailored solutions, and detects cash embezzlements.

7. (a)

The following effective ways to motivate a team in the interest of an organization are assessed.

(i) Providing a pleasant work culture:

A positive workplace culture is created by positive attitudes and positive deeds. Encourage cooperation and communication. To foster a healthy atmosphere at work, leadership and management must model collaboration and promote honest, open communication.

(ii) Making them feel valued:

People are frequently happier, more productive, and less prone to search for other job possibilities when they feel appreciated at work. There are various methods to demonstrate employees how much you respect them, from cash rewards and recognition schemes to little acts like paying attention to their comments and acting on it.

(iii) Offering a good salary package:

Greater job satisfaction, or workers who are pleased in their positions and are less inclined to change occupations, can be the result of fair salary and benefits. This not only lowers the incidence of employee turnover, but it may also give some jobs in the office a better reputation among workers. Greater compensation for better performance Companies that reward well performing employees with increases will encourage those individuals to keep working at a high level an others something to aspire to.

(iv) Providing opportunities for self-development:

Most businesses enable staff members to determine professional objectives and then work toward achieving those goals. However, workers should be self driven to make their own personal objectives.

(v) Providing constructive feedback:

Constructive feedback is supportive feedback given to individuals to help identify solutions to areas of weakness they, may have.

(vi) Provide clear goals:

Employees want to see how their work contributes to larger corporate objectives, and setting the right targets makes this connection explicit for them, and for you, as their manager. Goal-setting is particularly important as a Mechanism for providing on-going and year-end feedback.

(vii) Fostering the team spirit:

Team spirit is when a group of people really feel invested in reaching a goal together and are there to support each other. Embodying a sense of tem spirit at work helps employees to bond with their colleagues and impress their managers.

7. (b)

Most of the family businesses have started as a small entity but grew in size over time with involvement of family members. 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 business however suffers from problems which can lead to crisis.

Problems faced by family run businesses leading to crisis are as follows:

Family

Generation 1

Control - oriented patriarch insensitive to the changing needs of the children.

Generation 2

Sibling rivalry manifested by partiality and poor adherence to the family values and tradition. Murmurs and quiet protests about lack of many things and unhealthy comparisons by married youngsters.

Generation 3

Complaints about lack of sharing of information, consultation. Critical commitments on decisions taken without consultation. Complaints about lack of opportunities and rewards by several family members with differential needs.

Business

Stage 1

Too much personal supervision and lack of delegation of key decisions. Too much informality and lack of norms for most things.

Stage 2

Family executives fail to evolve new decision-making mechanisms, both on strategy and operational coordination. Non-family professionals feel not involved.

Stage 3

Family executives pursue projects of their interest without a common approach to decision-making. New businesses are set up to accommodate the needs of growing number of family members. Business divisions act as independent silos affecting a feeling of shared ownership.

Family run business often face unique challenges that can leads to crises if not manage properly. In addition to problem discussed above some common problems are as under: - Succession Planning issues, family conflicts & power struggle,

8.

(i) **Business Model for Start-up:**

• **Subscription Business Model:**

Since the proposed startup of Mr. RAHAN will provide both training and soft skill development services for the students of Management Institutes, hold Campus interview and Job fair on a recurring basis, a Subscription Business Model with slight modification be suitable. The Institutes and the organizations have to jointly pay a recurring subscription to Mr. Rahan's start-up annually and an amount per student on successful placement (Retained recruitment).

• **Alternative Freemium Business model:**

In this case Mr. Rahan's startup will provide training and soft skill development service for the students of Management Institutes, hold Campus interview and Job fair on a recurring basis free of cost and charge an amount per student only if successfully placed, usually as a percentage of the first- year salary of the student / candidate placed (Contingency recruitment).

- **A gold plan** with basic features as above and recorded lecturers o teachers' subject wise may be offered at a higher cost. There may be option to bundle more than one subjects. Combo offers with additional discount may be provided for subscribing more than one subject.

- **A platinum plan** may be offered with all basic features as well as live classes along with recorded lecturers at a further higher cost. Subject-wise choice to bundle should also be given. Combo offers with additional discount may be provided for subscribing more than one subject.

(ii) **A few possible funding Strategies that can be suggested are as follows:**

(a) **Bootstrapping:**

In order to succeed Mr. Rahan should consider that some of his saved funds can easily be accessed or he can obtain funds from his friends or family.

(b) **Angel Investors:**

Angel investors are basically people with a huge amount of capital and are willing to invest it on over the edge business ideas.

(c) **Venture Capital Funds:**

Venture Capital Fund providers invest in companies / startups having very high growth potential, and they have their preferences for sectors, companies, and funding amounts.

(d) **Crowd Funding:**

Crowd funding platforms are basically set up for individuals to pitch their business ideas or cause.

- (e) **Bank Loan / Microfinance Providers or NBFCs:**
Banking institutions provide financial backing on loans to individuals who approach them with a solid business plan.
- (f) **Grants:**
Grants can come from a variety of places. Including the central government, state governments, corporate challenges, and private entity grant programmes.
- (g) **Venture Debt Funds:**
Several private investment funds that lend money to businesses in the form of debt investments with a fixed rate of interest that must be repaid to the investor within a set period.
- (iii) **Recommended Marketing Solutions are as follows:**
 - (a) **Social Media Marketing:**
Mr. Rahan can use platforms like Facebook, Instagram, Linked in Twitter, Pinterest, and others to promote his business and contact Institutes on a more personal basis.
 - (b) **Email Marketing:**
This type of marketing links business to leads, prospects, and Customers (Institutes and Organisations) via email. Email campaigns are meant to promote services.
 - (c) **Conversational Marketing:**
It involves correspondence to customers on one-to-one basis across multiple channels. It is beyond live chats or email or text messages.
 - (d) **Partner Marketing:**
Partner marketing or co-marketing is a marketing partnership between startups / companies where they collaborate on a Marketing drive. For example, Mr. Rahan may think or approach Naukri.com for co-marketing.
 - (e) **Customer Marketing:**
Customer marketing focuses on holding on to the existing customers (Various Institutes and Organisations). It is not acquisition u here the emphasis is on getting new customers.
 - (f) **Word-of-Mouth Marketing:**
Word-of-mouth marketing is a powerful tool. It is a method of influencing and encouraging discussion about a service.
 - (g) **Relationship Marketing:**
Relationship marketing focuses on creating a close meaningful relationship with the customers. It has the power to promote marketing innovation like providing a new type of service.
 - (h) **Campus Marketing:**
Campus marketing aims at creating awareness about goods services among students on campus.
 - (i) **Digital Marketing:**
Digital Marketing is the opposite of traditional marketing. It is using technology to reach out to customers which did not exist before.